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NEWS SUMMARY

GENERAL

London plan on jobs equality

The Greater London Council is to set up machinery for monitoring and enforcing equal employment opportunities among its 10,000-plus suppliers.

The ruling Labour group's plan is thought to be the first attempt by a major UK authority to use the economic leverage it has in granting contracts to push through racial and sexual equality in its suppliers' workforces. Back Page

Wolves killed

Police and farmers shot dead seven wolves on the run from Cardigan wildlife park in West Wales. The hunt continued for another five.

Two children die

Two small children were found dead in the bedroom of their Stafford home. Police were waiting by the hospital bedside of their father, found with cut wrists in the bathroom.

Caribbean battle

Honduras said one of its sailors was killed in a patrol boat battle in the Caribbean after a Nicaraguan craft entered its waters and opened fire.

Sino-Soviet thaw

In a further indication of a slight thaw in Sino-Soviet relations, a senior Russian foreign ministry official is expected to visit counterparts in Peking next month. Page 2

Mugabe plea

Zimbabwe Premier Robert Mugabe visited the southern province of Matabeleland to assure white farmers that his government wants them to stay.

Alliance slips

A Mori opinion poll published today shows support for the Liberal/SDP Alliance has slipped to an all-time low of 14 per cent, compared with 47 for Conservatives and 37 for Labour. Alliance seats deal near, Back Page

Tory selected

Roger Gale, who works for Thames TV, will be Tory candidate for Northfield, the Birmingham seat vacant since Jocelyn Cadbury's death seven weeks ago.

Labour chance

Labour Party right wingers will have a last chance to alter the composition of the electoral college, which votes on the leader and deputy leader, at the Party Conference next week. Page 7

Naples mystery

The blood of San Gennaro liquefied in its glass phial in Naples Cathedral, auguring a good year for the city while continuing to baffle scientists.

'Spoke to dead'

Former Bishop of Southwark Mervyn Stockwood claims in his autobiography to have spoken to the dead.

Ill wind

The Nosey Ferrets racing team in their cycling machine Bluebell were blown off the track at Greenham Common, Berkshire, just as they reached 50 mph. The British record is 43.70 mph.

Briefly ...

Romania will not take part in Warsaw Pact manoeuvres which begin next Saturday.

9,000 Poles were fined for black market offences in a police campaign last month.

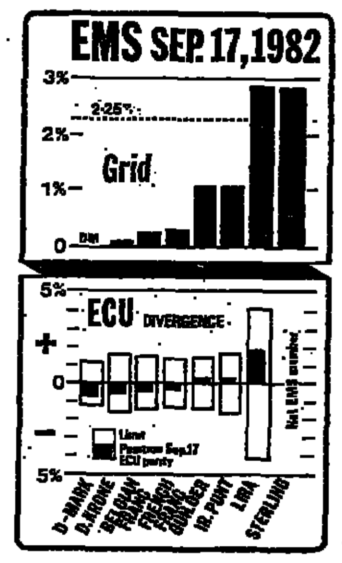
Labour MP Tom Torney called for a ban on umbrellas with pointed tips.

BUSINESS

Midland warns on company debt

● MAJOR COMPANIES may be overwhelmed by debt unless the Government provides loan guarantees, said the Midland Bank. Back Page

● D-MARK returned to the bottom of the European Monetary System on Friday, replacing the Danish krone, more through the krone recovering rather than the D-mark weakening on the news of the collapse of West Germany's coalition Government. Pressures seem to have subsided in the system, helped by the announcement on Wednesday that France had arranged a $4bn loan as a standby to defend the franc. This has been enough to deter continued speculation against the franc and generally created a more stable atmosphere in the EMS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● GATT (General Agreement on Tariffs and Trade) conference in November may call for a "ceasefire" on protectionist measures. Page 4

● UK ECONOMY is poised to resume last autumn's recovery, said stockbrokers Greenwell. Page 5

● EURODOLLAR bond market managers expect dollar interest rates to fall again. Page 25: New York Bond market, Page 26

● LAZARD Brothers of London has arranged loans totalling £125m for four development projects in Nigeria. Page 7

● WEST GERMANY'S major companies are unlikely to see recovery this year, said Deutsche Bank's investment advisory subsidiary. Page 2

● GEC-MARCONI has reached agreement in principle to make and sell under licence Nippon Electric cellular radiotelephone equipment. Page 5

● GOVERNMENT is expected to invite bids for the eighth round of offshore oil and gas exploration licences this week. Page 6

● COAL BOARD and miners seem set for a dispute over a proposal to close Kinnell Colliery at Bo'ness in central Scotland. Page 7

● TRAIN DRIVERS' strike halted most freight services in the U.S. Page 2

● RATES exemption for agricultural land and buildings should end, said the Association of British Chambers of Commerce. Page 5

● LA CENTRALE, holding company for the Italian interests of Banco Ambrosiano, reported a loss of L25.8bn (£10.72m) for the year to end June. Page 26

CONTENTS

For latest Share Index phone 01-246 8026

Lebanon wants peace-keeping force recalled to Beirut

BY PATRICK COCKBURN IN BEIRUT, DAVID LENNON IN TEL AVIV AND ANATOLE KALETSKY IN WASHINGTON

THE LEBANESE Government called yesterday for the immediate return of international peace-keeping forces to West Beirut to protect Palestinian civilians against the possibility of further massacres.

Mr Shafiq al-Wazzan, the Prime Minister, urged the U.S. to send back the 1,200-strong force of U.S., French and Italian troops which had overseen the withdrawal of the Palestine Liberation Organisation this month.

His call came amid a storm of international protest and condemnation over the mass killing on Friday of Palestinian men, women and children in two refugee camps in South Beirut.

Lebanese Army elements started to take up positions yesterday in the ruins of the refugee camps but there was little sign of Israeli troops moving back from their positions on the edge of the shanty towns. On Friday the Israeli Army said Israeli troops had surrounded the camps.

The extent of the massacre at Chatila camp, already severely damaged by earlier Israeli bombardments, became clear on Saturday once the Christian militiamen departed. Relief workers said the militiamen killed hundreds of Palestinians and the final figure could be between 300 and 1,000.

Mr Yassir Arafat, the Palestinian leader, vowed yesterday to avenge the massacre and called for an urgent debate at the United Nations, according to Wafa, the Palestinian news agency.

"Our people and nation will punish all those who participated in shedding Palestinian and Lebanese blood," he said in Damascus.

The Lebanese Prime Minister yesterday laid the blame for the tragedy at the door of the White House. "I hold the Americans responsible because they gave written assurances that the Israelis would not come into West Beirut. If the Israelis had not invaded West Beirut the massacre would not have happened."

Mr al-Wazzan said the gunmen who carried out the atrocities were allied to the Israelis and had been allowed to pass through military checkpoints in Israeli-occupied territory.

The Prime Minister said the gunmen were part of Major Sa'ad Haddad's militias, which, with Israeli backing, have controlled a swathe of territory in southern Lebanon since 1978. Israel, however, which has denied any responsibility for the killings, said it was Christian Phalangists who entered the camps.

Both Major Haddad's forces and the Phalangists are supported militarily and politically by Israel.

The Israeli Cabinet was called into emergency session last night to debate the massacre with ministers expected to demand an explanation of how the Christian forces were able to bypass Israeli troops around the refugee camps.

The Cabinet was scheduled to hear a report from Gen Ariel Sharon, the Defence Minister and Gen Rafael Eitan, the Chief of Staff.

Earlier, Israeli police fired teargas to break up demonstrators outside the home of Mr Menahem Begin, the Prime Minister. The demonstrators shouted "Begin murderer" and carried banners calling for the resignation of the Prime Minister and Gen Sharon.

Italy and France have both indicated their willingness to send troops back into West Beirut and stressed the urgency of the situation. Sig Emilio Colombo, the Italian Foreign Minister, said he had replied immediately to a message from Mr George Shultz, the U.S. Secretary of State, seeking Italian co-operation in dealing with the Lebanon crisis.

In Washington President Reagan, Mr Shultz, Mr Caspar Weinberger, the Defence Secretary, and Mr William Clarke, the National Security adviser, held an emergency meeting at the White House.

The President refused to make any comment after the meeting but it is believed the Lebanese Government's call for U.S. troops was on the agenda.

Earlier Mr Shultz went to the home of Mr Howard Baker, the Senate majority leader, to brief him on the Middle East situation.

Mr Baker has in the past ex-

Continued on Back Page
Savage blow to hopes for peace, Page 3
Editorial Comment, Page 18

Government plans added curbs on state enterprises

BY PETER RIDDELL, POLITICAL EDITOR

A REDUCTION in the power of State monopolies will be the main theme of the legislative proposals for the last full parliamentary session before the next General Election. The proposals will be set out in the Queen's Speech early in November.

Action will be proposed to permit the sale of shares in British Telecom, to allow private generation of electricity, to abolish the National Water Council and to regulate public transport subsidies.

The main outlines are now clear following discussions during the summer by the Cabinet committee concerned with the legislation. It has whittled down the number of proposed Bills from over 80 to about 30—fewer than in recent parliamentary sessions, although final decisions on the 1982-83 programme will not be taken until next month.

The Government is determined to show that, after three years in office, it is still full of ideas and vigour, while, at the same time, not overloading the parliamentary timetable just before an election.

There is still a lively debate about whether to have a further Employment Bill, requiring the election of key trade union officials by secret postal ballot. While Mrs Thatcher favours early action, other ministers—including some of her close supporters—are more reluctant, largely because they feel this proposal would be better as part of a pre-election manifesto programme.

The theme of strengthening the position of the consumer and of the private sector in relation to the public sector is likely to be a main plank in the next Tory election manifesto.

The main proposals for the 1982-83 session are likely to be:

● A Telecommunications Bill, enabling the sale of up to 51 per cent of British Telecom to private investors, with associated changes in regulations on competition and prices.

● Action to remove the present ban on the private generation of electricity, to encourage private commercial suppliers.

● Abolition of the National Water Council and the slimming down of the boards of the 10 regional water authorities in England and Wales.

● A Bill to clarify transport subsidies, primarily affecting

Continued on Back Page

BT 'holding back new services'

BY JASON CRISP

BRITISH TELECOM (BT) and the Department of Industry face growing criticism from private industry for delaying plans to liberalise the UK telecommunications market.

There is increasing discontent over the postponement of the issue of a Government licence for the so-called Value Added Network Services (VANS). It has been the Industry Department's responsibility since April to produce the licence.

The delay is thought to be holding back considerable investment in new services. The licence would enable companies to offer a range of special services on the telephone network. Examples include personal answering and message services, electronic mail boxes, the storage and forwarding of telex and other messages, linkage of incompatible computers.

The licence has not been issued because of disagreement over its scope between BT and representatives of industry—mainly computer and telecommunications companies.

There is a suspicion in some companies that BT Enterprises—the competitive division of BT—is anxious that the licence be delayed to give itself more time to beat the competition.

One of the main reasons for a licence is to prevent the straight resale by private companies of capacity on BT's network, which would cream off money from its more profitable routes.

The private sector wants a liberal, wide-ranging licence to allow any service to be offered, provided it is not merely resold—that is, as long as value is added. BT wants a limited licence to specify what would be allowed. The representatives of the private sector say the more limited approach would restrict a new, rapidly-growing range of services in which technology is also changing rapidly. They point out that it would be impossible to specify services which have not been invented.

Computer bureaux are also concerned that services they already offer might be outside the terms of the licence and thus illegal.

BT has accepted, however, two broad categories of VAN. One is that in which information is significantly altered by the VAN operator, such as by some form of data-processing. Another is that by which information is stored, and either retrieved or forwarded such as by an electronic mail box.

Another fundamental difference is over Packet-Switching Services (PSS), a technique for transmission large volumes of data over a complex network. Data is split into small electronically-addressed packets, which are sent through the network, possibly by different routes, and reassembled at the destination.

BT has belatedly introduced a public PSS, which is also connected internationally. It argues that this is a basic telecommunications service. But, there is growing pressure, particularly from some of the large computer companies, for PSS to be licensed as VANS. They argue that the equipment to run the PSS is adding value to the basic network.

The Industry Department—caught between two opposed, complex technical arguments—is thought to want to issue a licence for what has been agreed to date, leaving the rest to be sorted out later. The private sector is thought to be resisting this.

Arco signs China oil search deal

BY TONY WALKER IN PEKING

THE ATLANTIC Richfield Oil Company (Arco) stole a march on its competitors when it signed an agreement here at the weekend to begin exploration in the South China Sea.

Most of the other oil majors are still involved in lengthy bids for rights to take part in the development of China's off-shore oil.

Arco signed with China in March 1979 an agreement, which gave it the right to bid exclusively for exploration blocks in an area where it had conducted seismic surveys, off Hainan Island, China's southernmost region.

It has therefore avoided involvement in the current auction by the China National Off-shore Oil Corporation for exploration blocks in the Yellow and South China Seas.

Arco executives are describing the agreement as a "production-sharing contract." Mr Paul Ravesies, president of Arco International Oil and Gas Company said at the weekend that the company would "take the exploration risk." If oil were found, Arco and the Chinese would share output and the costs of development.

The Arco agreement, which took months to negotiate, gives the company the right to explore for oil over an area of 3,593 sq miles—about half the area covered by Arco in its $20m (£11.7m) surveys off Hainan.

Mr Ravesies said oil production could not begin before five years from exploration. Arco expects to start full-scale exploration in the first quarter of next year.

Santa Fe Minerals has a 20-per cent share in developing the South China Sea block.

Under the terms of the contract, which is believed to run for 25-35 years, China will take over management of the enterprise at a certain point. The contract is also understood to involve transfers of technology to the Chinese and training of personnel.

Arco executives will not say how much they expect the exploration to cost. It is certain to be more than the $20m spent so far.

More than 30 international oil companies lodged bids on August 17 for Chinese off-shore exploration blocks. These bids are expected to take three to four months to be processed by the state entity, then negotiations will follow before contracts are awarded. "Other oil companies are at least a year away from beginning exploration," said one Arco executive.

Oil companies are facing an effective 70 per cent marginal tax rate, if they discover oil in marketable quantities.

Sino-Soviet talks, Page 2; U.S. urged to relent on pipeline, Page 6; North Sea licences, Page 6

Bid to end wrangle on EEC budget

By John Wyles in Brussels

EUROPEAN COMMUNITY foreign ministers will today try to end a protracted wrangle which has threatened to undermine an agreement reducing Britain's payments to the EEC budget this year.

Failure could sour negotiations due to be completed by the end of November on the UK's budget payments in the years ahead.

Today's talks could test the bid, launched last week by Mr Francis Pym, the UK Foreign Secretary, to convince other EEC countries that the UK is genuinely "thinking European" in its policies and is not solely preoccupied by the cost of EEC membership.

The preoccupation remains, however. Mr Pym and his officials have had to beat off an attempt by France and Italy to renegotiate an agreement reached in May reducing Britain's transfers to Brussels this year by 850m European Currency Units (£476m).

Both countries apparently now regret having agreed to allow West Germany to pay only half of its normal contribution to the British rebate. This has automatically increased the

Continued on Back Page

Bonn power shift to centre-right is likely soon

BY JONATHAN CARR IN BONN

WEST GERMANY may have a new government of the centre-right as early as Friday, through a parliamentary vote removing Chancellor Helmut Schmidt from power after eight years in office.

Dr Helmut Kohl, the Christian Democrat (CDU) opposition leader, would become Chancellor, supported by his own parliamentary forces and the liberal Free Democrat Party (FDP).

This seemed the most likely outcome following the collapse last Friday of Herr Schmidt's coalition between his Social Democrat Party (SDP) and the FDP. Herr Schmidt continues for the moment as head of a minority SPD government.

Formal talks start today between the CDU, its Bavarian sister party, the Christian Social Union (CSU) and the FDP about a joint alliance to unseat Herr Schmidt and form a new coalition.

If the talks run into serious obstacles then the plan to hold a so-called constructive vote of no confidence against Herr Schmidt on Friday may have to be delayed.

According to the constitution a formal proposal to hold such a vote must precede the vote itself by 48 hours. The CDU, CSU and the FDP must therefore agree on their strategy by Wednesday at the latest.

This will not be easy. The negotiations are being held against a background of fierce dissension in the FDP, and only partly-concealed differences in the Union parties themselves.

A strong minority of the FDP fiercely opposes participation in a vote against the Chancellor. It has urged that a special congress be held quickly to consider the party's course.

If Herr Schmidt is to be toppled then Dr Kohl needs not only the 226 Bundestag votes of the CDU-CSU but also support from at least 23 of the 53 FDP parliamentarians. This would give him the necessary 249 majority from a total of 496 Bundestag members.

On the face of it Dr Kohl should gain the necessary support fairly easily. Last Friday 33 FDP parliamentarians expressed support for the plan of the party leader, Herr Hans-Dietrich Genscher, to open coalition talks with the CDU-CSU.

In a later vote by the FDP's national executive committee, however, the vote was only 18 for and 15 against, showing party leaders virtually split down the middle on the issue.

This can hardly encourage Dr Kohl. Only once before, in 1972, has the device of a constructive vote of no confidence been used, and then the necessary majority was not obtained.

A further complication is that while all parties agree that new general elections should be held before 1984, when they are formally due, there is no full accord on how quickly they should go ahead.

Herr Franz Josef Strauss's CSU is keen on seeing them held quickly, at least partly because this could mean the FDP may lose voter support for switching partners and fail to be returned to parliament. This would give the CSU more cabinet posts if the CDU-CSU were returned with an absolute majority of the national vote.

Social Democrats head for victory in Sweden

BY WILLIAM DULLFORCE IN STOCKHOLM

EARLY reports from voting centres suggested that the Swedish general election had resulted in the anticipated shift to the Left.

Social Democrat supporters turned out in strength in an effort to return their leader, Mr Olof Palme, to the premiership he lost six years ago to Mr Thorbjorn Falldin of the Centre Party.

But the Social Democrats would not immediately take their victory for granted after the ballot closed at 8 pm. The last three Swedish elections have been close run.

The only obstacle to a Social Democrat Government appeared to be the possibility that the Communists would fail to obtain the 4 per cent of the votes they needed to keep their representation in the Riksdag (Parliament).

Some Social Democrat supporters, however, said they were voting Communist to stave off that eventuality.

Mr Palme had apparently succeeded in disarming the widespread opposition even among his own members to his party's controversial proposal to introduce "wage-earner funds" to buy up shares in private enterprises.

The Social Democrats have promised to pursue a mildly reflationary policy and restore cuts in social benefits decided on by Mr Falldin's Government.

OVERSEAS NEWS

W. German groups unlikely to show recovery this year

BY STEWART FLEMING IN FRANKFURT

THE PROFITABILITY of the major quoted West German companies is unlikely to show any recovery this year after falling more than one-fifth in 1980 and 1981. This is the conclusion of Deutsche Gesellschaft Für Anlagenberatung (DEGAB), an investment advisory subsidiary of the Deutsche Bank.

The analysis, based on a sample of 140 quoted companies, presents in some ways too optimistic a picture of the corporate sector's profitability because it is based on profit figures which include as earnings pension reserves the companies make (after deducting a notional tax charge), even though such reserves are not strictly to be seen as distributable profit.

The group says the downward revision of economic growth forecasts for 1982 rules out any prospect of a recovery of profitability in general. It is some comfort, however, that, in spite of this weakening, the group suggests that the slump in profits over the last two years seems to have come to a halt. Among the reasons it cites for a halt to further decline are the weakening of cost pressures—both from the raw materials and wages side—lower interest rates, and improving productivity.

The report coincides with growing pessimism about the immediate outlook for the West German economy. In recent weeks, companies have increasingly been resorting to short-time working in an effort to adjust production levels to weaker demand. Last week, for example, Volkswagen, the country's biggest volume car maker, announced plans to close all its domestic plants for two weeks from the end of the month. This will idle about 75,000 of its 119,000 workforce. Ford Werke has said that it too is discussing short-time working for its Cologne plant. Numerous other smaller, in some cases privately-owned companies, have also in recent days been announcing plans for short-time working.

Fissler, a metalworking company based in Idar-Oberstein, has announced that it has agreed with its work council that short-time working will start at the beginning of next month and continue to the end of the year. The electrical company EBM Elektrobaw Mulfingen, with 830 employees, is planning six weeks short-time working. It said that it had been affected by the AEG-Telefunken crisis and the weakening of export demand.

Machine tool manufacturer, Heyligenstaedt of Giessen, which has 1,400 workers, cited slackening domestic demand, increased competitive pressure in foreign markets, and the need to get control of capacity utilisation problems as reasons for resorting to short-time working.

And in a move which provoked Professor Reimut Jochimsen, the North Rhine-Westphalia Economics Minister, to warn against "panic-mongering" the Duisburger Kupferhütte, a subsidiary of the British Rio Tinto Zinc group, issued redundancy notices to all 1,600 of its workers effective in March of next year. The move was described as a precaution against the possibility of having to cease production then.

Poland needs extra grain

WARSAW—Poland needs to buy at least 5m tons of grain to make up for the shortfall in the amount planned for this year's harvest, the official news agency Pap reported.

The nation's state and private farms so far have delivered more than 2.2m tons of grain.

It reported that the amount was 1m tons above the corresponding period last year, but only 45.3 per cent of the amount planned for harvest this year.

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Talks fail to end U.S. nationwide rail strike

WASHINGTON — Talks between the railway industry and negotiators for the engineers' union recessed yesterday with both sides far apart in efforts to end a nationwide rail strike.

"This union has remained intransigent throughout," declared Mr Charles Hopkins, the railways' chief negotiator, after emerging from more than 20 hours of continuous bargaining.

Mr John Sytsma, president of the Brotherhood of Locomotive Engineers, said there was "very little progress" in the negotiations after pickets were raised at railroads across the country.

He said the strike has been on since midnight on Saturday and there were no indications it would end.

Mr Sytsma said the stumbling blocks continued to be an industry demand for a no-strike clause in the contract as well as pay issues.

Mr Hopkins characterised the negotiations as bleak and said the railroads would resist the unions' demands.

Pickets began to appear at Eastern Railroads first. Then the strike rolled across the country as the engineers walked off their jobs as the 12.01 am strike deadline came.

In addition to halting freight lines, the strike also interrupted Amtrak passenger services in the South and West. Amtrak spokesmen said it halted some long distance trains short of their destination. Passengers had been transferred to buses.

A spokesman for the Federal Mediation and Conciliation Service government agency, said neither side had given up the prospects of a settlement.

The Association of American Railroads reported that engineers walked out at railroads across the nation, including some of the largest, the Norfolk Southern, CSX system, Southern Pacific, Union Pacific, and Burlington Northern. AP

Negotiations in Peking next month raise hopes of new links, **Tony Walker writes**

Talks may bring further Sino-Soviet thaw

IN A FURTHER tantalising indication of thawing in Sino-Soviet relations, a senior Russian Foreign Ministry official is expected to visit Peking early next month for talks with his Chinese counterparts.

East Europeans are saying quite definitely that the Soviet official will visit China in October to hold preliminary discussions on the resumption of normalisation talks broken off in 1980 after Moscow's move into Afghanistan.

The visit to Peking by the Soviet official will continue the pattern of contacts between the two countries over the past year or so. While none of these contacts indicates that a dramatic break-through is in prospect, they still represent significant exchanges.

The most recent took place in Moscow when Yu Hongliang, head of the Chinese Foreign Ministry's Soviet department, held several meetings with Russian counterparts. According to Soviet officials in Peking, the atmosphere surrounding Yu's Moscow visit was good.

China, however, has said that it will not consider normalising relations until Moscow matches deeds with words. Peking's main complaints against the Soviet Union arise out of the continuing presence of troops in Afghanistan, Soviet backing for Vietnam's occupation of Kampuchea and the continued deployment of large numbers of troops—said to be more than a million—on the Sino-Soviet border.

Western diplomats are sceptical that much progress can be made in the short term in discussions between Moscow and Peking. They believe that many of the problems between the two countries remain "pretty intractable," as one diplomat put it.

In the past year, the Soviet Union has been pressing for a resumption of border talks which were broken off in 1978, but China has said it is still studying the Soviet proposal.

East European diplomats claim there has been a perceptible improvement in the Chinese attitude towards them and that, in fact, China is seeking to increase the range of its contacts with Eastern bloc countries.

This strategy would accord with Chinese foreign policy, which is seeking these days to steer a more neutral course between the superpowers. This trend was noticeable in the tone of statements about foreign policy at the recent Communist Party Congress by Hu Yaobang, the General Secretary.

It is not known who will head the proposed Soviet delegation to Peking, but it is thought likely to be a Vice Foreign Minister. The Chinese side, however, is certain not to want to give the impression that it is about to make concessions to the Russians.

Finland budgets for 2½% growth

BY LANCE KEYWORTH IN HELSINKI

THE 1983 BUDGET Bill presented by Mr Ahti Pekkala, the Finnish Minister of Finance, is designed to reduce inflation, slow the growth of unemployment and encourage unions to moderate their demands for nominal wage increases for the period after next February, when the current labour contracts expire.

Expenditure is entered at FMk 72.3bn (£8.79bn), an increase of 11 per cent on 1982. The deficit on the revenue side is FMk 8.9bn which is to be covered by borrowing in the domestic and foreign financial markets.

The budget is based on the assumptions that gross domestic product will increase from 1 per cent this year to 2.5 per cent, and the inflation rate will be brought down from 9.25 per cent to 7 per cent. Employers and unions consider these assumptions over-optimistic.

The budget contains little for industry, which is worried about the 19 per cent erosion of Finland's international price competitiveness since 1979.

The corporate income tax rate is unchanged and the temporary and partial relief in turnover tax on new productive investments is prolonged until the end of 1983.

Increases in excise taxes and charges affecting the cost of fuels, tobacco and alcohol, postal and telecommunications tariffs, are to be kept down to 5 per cent, except for railway tariffs which will rise by 10-12 per cent.

The personal income tax scales will be inflation-adjusted by 9 per cent, for larger families by even more. The adjustment will also be applied to deductibles and wealth tax.

The total tax burden in relation to GDP will be reduced by half a point to 36 per cent. Real earnings should increase by 2.5 per cent and the real disposable income of households by 3 per cent. But Mr Pekkala has warned that if wage demands are immoderate, he will increase the excise tax on alcohol and tobacco.

Kreisky unveils £6m jobs plan

BY LUCIAN MEYSELS IN VIENNA

AUSTRIA'S Socialist Government has unwrapped a three- to four-year plan to invest Sch 170bn (£6m) in industry to create 30,000 to 35,000 new long-term jobs.

The plan was disclosed after a meeting of the Socialist Party Presidium at Hellbrunn Castle near Salzburg, which was also attended by leaders of the Austrian trade union federation. Chancellor Bruno Kreisky described Austria as one of the economically most successful nations after Japan, but admitted that even with the new programme, complete full employment could not be achieved.

The Opposition described the programme as an electoral gimmick and predicted that unemployment would rise this coming winter to between 150,000 and 200,000. General elections are due to be held in Austria in April 1983.

The biggest investments — some Sch 43bn — are scheduled for Austrian railways, followed by Sch 42bn for new power stations and Sch 41bn for the postal services.

A further Sch 8.3bn is to be invested in urban heating projects and Sch 2bn in a crash programme for the building industry, which has been particularly hard hit by the recession.

In all, Sch 23bn will come out of the regular budget, but Mr Herbert Salcher, the finance minister, claimed that there would be no new taxes—at least not in 1983.

French external deficit trend deepens

By David Housego in Paris

THE DRAMATIC worsening of France's external deficit has been confirmed by new current account and trade figures released over the weekend.

The current account deficit (goods and services) more than doubled in the second quarter of the year from FFr 12.5bn (£1.04bn) for the first three months to FFr 27.3bn. Thus the deficit for the second quarter alone exceeded the total current account for 1981 of FFr 26bn on revised figures.

A change in the methodology used by the Ministry of Finance for computing the current account deficit has resulted in last year's shortfall of FFr 40.6bn being reduced to FFr 26bn.

Ministry of Finance officials expect about a FFr 70bn deficit for the year—almost three times last year's current account deficit, which in itself was a record since the first oil shock of 1973.

Most of the shortfall was due to the sharply widening trade gap. But, on seasonally adjusted figures, France's surplus on the services account contracted sharply as well from FFr 9.2bn in the first quarter to FFr 4.2bn the April-June period, reflecting diminishing earnings both from major overseas contracts and from interest payments on the foreign exchange reserves.

Italy's foreign trade continues to improve

By Rupert Cornwell in Rome

JULY FIGURES give new evidence of a slow improvement in Italy's foreign trade performance. The deficit of L731bn ($522m) is the smallest monthly shortfall in 1982 thus far.

The result, helped by a specially strong showing by the traditional surplus sector of textiles and clothing, brings the overall deficit for the first seven months of this year to L10,602bn ($7.6bn), down from L11,663bn in the same period of 1981.

The trade figures from Istat the National Statistics Institute have coincided with data from the Bank of Italy showing that the country's basic balance of payments had swung sharply back into surplus over the summer, bolstered by record income from tourism. Even so during the first eight months the payments balance was still in deficit by L591bn.

August's surplus was L1,331bn bringing the total for the three months from June to L3,383bn. Although this represents a sharp decline from the previous year which achieved a L5,708bn surplus between June and August, officials pointed out yesterday that 1981 had been heavily influenced by the imposition of an import deposit scheme in May 1981, subsequently abolished last February.

The most cheering aspect of the figures is the strong gain registered by both textiles and clothing, and by the engineering goods sector, each of which showed a surplus of just under L7,000bn.

Financial Times correspondents report on the aftermath of last week's massacre of several hundred Palestinians in two of Beirut's refugee camps

Begin demands report as Israeli protests grow

BY DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, the Israeli Prime Minister, has demanded a full report on how the Christian Militias got into the Sabra and Shatilla refugee camps and were able to carry out the massacre under the guns of the Israeli troops stationed around.

Gen Rafael Eitan, the Chief of Staff, claimed in a radio broadcast yesterday that the Israeli troops were only positioned on the west side of the camp and that, because of this, they were not able to control the action of the Christian Phalangist forces in other places.

However, an official army communique issued in the middle of last week specifically stated that the Israeli troops had taken control of all the key positions in West Beirut and that they had surrounded the refugee camps.

Mr Yitzhak Rabin, a former Prime Minister, yesterday accused the Israeli Government of indirect responsibility for the massacre. He said that, with the entry of the Israeli army into West Beirut, Israel took upon itself responsibility for security and order in Lebanon.

Along with other Opposition politicians, Mr Rabin called yesterday for a public committee of inquiry to examine the reasons for the massacre and also for the earlier assassination of the Lebanese President-elect Mr Bachir Gemayel.

An unnamed official in Jerusalem said yesterday that the Israeli forces had allowed the Phalangists to go into the refugee camps in order to ferret out the remaining PLO guerrillas

But there has been no official statement by either the Prime Minister's office or the Foreign Ministry on the bloody event of the weekend which shocked all but the most hardened Israelis.

Hundreds of Israelis, including Labour Party politicians, intellectuals and members of the Peace Now movement, demonstrated yesterday outside the residence of the Prime Minister in Jerusalem. They carried placards with slogans describing Begin as a murderer and calling

Mr Begin: "Indirectly responsible."

on the Government to resign. The demonstration was broken up by police using tear gas.

Later in the morning Mr Begin had to be protected by dozens of security men when a small group of demonstrators heckled him as he left Jerusalem's main synagogue

The Chief of Staff said yesterday that Israeli troops were being thinned out in West Beirut as they handed over some of their positions to units o the regular Lebanese Army. However, he said he did not know when the Israeli forces would finally leave all of West Beirut. He said this was being delayed by the discovery of large stockpiles of weapons and ammunition. When the collection of these arms stores is completed, the army will leave, Gen Eitan said.

In a clear attempt to shift blame, the Israeli Chief of Staff yesterday accused unnamed foreign elements of having prevented the Israeli army from holding direct contacts with the Lebanese army in order to hand over control to them.

Israeli military officials in West Beirut said that the Chief of Staff, in mentioning foreign elements was referring to Mr Morris Draper, the special American envoy, and Mr Shafik el Wazzan, the Lebanese Prime Minister.

Cairo hints at recall of ambassador

By Charles Richards in Cairo

Egypt hinted yesterday it might consider recalling its Ambassador to Tel Aviv if the fighting in and around Beirut is allowed to worsen.

The Egyptian Foreign Minister Mr Kamal Hassan Ali said such a move "would be discussed if there were further escalation." It was not clear whether he meant a recall for consultations or a more drastic cutting of relations. This is the first time that Egypt has publicly acknowledged contemplating such a move since it signed a peace treaty with Israel in 1979.

Since the beginning of the present crisis in Lebanon, Egypt has maintained full diplomatic representation in Tel Aviv. The Egyptian Government resisted calls for a recall of its ambassador and the suspension of other links with Israel on the grounds they would not serve Egypt's national interests. Officials also insisted that it was at times of crisis that Egypt's ambassador was most needed in situ.

Calls to suspend shipments of 40,000 barrels of Egyptian crude oil a day to Israel were also turned down on the grounds this was a commercial transaction.

Egypt's exasperation with Israel turned into horror over the weekend's massacre Egypt has told Israel it holds Jerusalem responsible for what it calls "these inhuman killings."

Egypt has also appealed to the U.S. to intervene to bring about an Israeli withdrawal from both West and East Beirut, and to secure the return to Beirut of the multinational peace-keeping force; as well as finding ways to prevent the fighting spreading to Tripoli, north of Beirut, and in the Bekaa Valley.

Reuter adds from Cairo: In one of the fiercest attacks on Israel in the Egyptian Press. the influential Al-Goumhoria said in an editorial that the Israeli army, which it called "the army of a real terrorist organisation," had become dangerous to peace in the Middle East and the entire world.

Savage blow to hopes for peace in Lebanon

BY PATRICK COCKBURN IN BEIRUT

THE TORN and bullet-ridden bodies of the Palestinians murdered in Shatilla camp in Beirut were beginning to bloat in the morning sun yesterday. It is difficult to walk more than a few yards through the narrow, ruined alleyways without smelling the sweet taint of decomposition.

Beside the main lane which runs through the heart of the little shanty town, there is a scattering of dead. One woman lies huddled on a heap of rubble, her hands still bound with rope, indicating that she had been taken prisoner before being shot.

Further down the narrow streets, between the one-storey houses, the dead lie in heaps where they were cut down by the sub-machine guns of Christian militiamen.

On a short walk, I counted 64 bodies. The final total is likely to be more than 500. Some parts of the camp were blown up by the militiamen and others were bulldozed before the withdrew in what may have been an attempt to conceal the extent of the massacre. If so, the effort was half-hearted. Hands and feet protrude from the heaps of red earth newly scraped up by a bulldozer.

Even in Beirut, so familiar with war and death, the massacre has left people stunned. Coming on top of the assassination of President-elect Bachir Gemayel last week, it seems to have ended whatever chance there was for peace in Lebanon.

Many people in the city, Christian and Moslem, blame the killings on the Israelis with varying degrees of venom. They argue that Shatilla camp is only a few hundred yards away from a major concentration of Israeli troops and tanks outside the remains of the Kuwaiti Embassy.

Even yesterday's handover of the camp to the authority of the Lebanese army seems to be of largely cosmetic intent. When I and another correspondent tried to interview a Lebanese soldier who seemed willing to talk, we were brusquely ordered away by an Israeli soldier, citing "Orders." Israeli troops are in total control of the area.

The course of events leading up to the massacre is only now becoming clear. Last Wednesday, Israeli troops moved into West Beirut following the assassination of Mr Gemayel. The following day, Christian militia troops, mainly under the command of Major Saad Haddad, came into Beirut. Local shopkeepers claim to have seen their convoy moving north along the coast road.

Major Haddad's troops are trained and armed by the Israelis and are normaly under their operational control. On Friday, these militiamen, known for their savagery in the past, moved into the camps.

Israelis on the outskirts broadcast appeals in Arabic to their inhabitants to come out of their houses and surrender any weapons they possessed. About 7 pm on Friday, the mass killings started with the brutality which has become so commonplace in Lebanon since the civil war started in 1975.

It seems that people in the camps made little attempt to defend themselves. Most of them were labourers or small traders, the pathetic evidence of their occupations still evident among the rubble.

In one street, two horses lay dead, while a single surviving one wanders among the ruins. What appear to be the bodies of their owners lie together with the smashed remains of the cart and little kerosene wagon which the horses once pulled. In another part of the street, a tiny clothes shop lies wrecked, a shocking pink nightdress still hanging up on display.

Just how much of the damage to the houses was done on Friday and how much by Israeli artillery and bombing over the past three months is unclear. Many buildings have clearly been destroyed in the past two days. Away from the main streets, however, some of the houses are still intact, and it was here that the most horrific massacres took place.

Walking around the corner of one alleyway, I found 14 bodies scattered around a little pickup truck. One man lay underneath it, though whether he crept there in a last, vain attempt to escape the bullets or had crawled there to die was not clear.

A Palestinian girl of about 20 was standing beside me staring at the bodies, when she suddenly saw the corpse of a relative half hidden by the heap of dead. She began a high-pitched scream which rang through the main street where little knots of Palestinians were gathered, handkerchiefs pressed to their noses.

The attack had clearly taken many of the dead by surprise. A young man in blue jeans lies in the forecourt of his little house, while inside the door there is a plate on a table with the remains of his half-eaten supper of mince. He had died from a bullet in the head. Other corpses had been mutilated.

For the Israelis, the massacre is clearly a political disaster. Israeli tanks and troops are so near the camps and Major Haddad's militia so much Israel's creation that some degree of complicity by some Israeli officers will prove difficult to deny. The bitterness against Israel and the U.S. among Arab states will be violently exacerbated.

The Israelis will find it even more difficult to secure allies in Lebanon and this in turn makes it difficult for them to leave the country. Mr Menahem Begin, the Israeli Prime Minister, has said that a main purpose of the invasion in June was to create a Lebanon friendly to Israel.

With the death of Mr Gemayel last week, this option seemed almost to disappear and with Friday night's massacre, it has surely vanished.

Soviet Union seeks UN sanctions against Israel

BY ANTHONY ROBINSON IN MOSCOW

THE WEEKEND massacre in Beirut has sparked off a violently anti-Israel attack by the Soviet news agency Tass which also reflects months of smouldering Soviet frustration and anger at Israeli and U.S. actions in the Lebanon.

Without mentioning the Maronite militia at all, Tass directly accused Israel of "perpetrating a heinous crime" and of staging a massacre of the civilian population. It compared the outrage to the wartime massacre of Jews by the Nazis at Babi Yar, a deep ravine just outside Kiev where some 200,000 were killed in 1941.

"Responsibility for the crimes rests primarily with the Israeli ruling circles" Tass said, but added "If it were not for Washington's support, Israel would not have dared to commit such atrocities."

The Soviet Union, Tass added, "Strongly condemns Israel's aggression and genocide in Lebanon. It demands their immediate termination and the withdrawal without delay from Lebanon." It also called on the UN Security Council "to fully use the powers entrusted to it . . . including the use of UN troops to ensure protection for Beirut's civilian population and the withdrawal of the aggressors' troops."

The statement also called on the Security Council to impose sanctions "if necessary" on Israel and, for the first time, indirectly supported those Arab countries who have called for Israel's expulsion from the UN. "A general question arises whether such a state as Israel which systematically violates principles of the UN Charter, can remain a member" was how Tass put the question.

Italy reaffirms commitment to send troops

ROME—Italy charged yesterday that the Israeli army perpetrated or consented to the massacre of Palestinian refugees in Beirut.

The strongly worded communiqué released by Premier Giovanni Spadolini's office, also reaffirmed Italy's commitment to send peacekeeping troops to Lebanon.

"The Italian government expresses the most firm condemnation and the most angry reproach for the bloody actions that the Israeli army perpetrated or anyhow consented to and for the tragic slaughter of Palestinian refugees," it said.

"The Government addresses a pressing appeal to the Government of Israel that a new 'cease-fire,' according to the unanimous resolution of the United Nations, is realised immediately

AP

UK party leaders united in call for troop pull-out

BY OUR FOREIGN STAFF

LEADERS OF Britain's main political parties were today as one in their revulsion at the massacre of Palestinian refugees in Beirut and united on the best way to bring peace.

A wave of horror at the killings, was led by Mrs Thatcher's condemnation of "an act of barbarism" and accompanied by accord on the need for the Israelis to get out of Lebanon and be replaced by a UN peacekeeping force.

The Prime Minister was obviously jolted by the news, received as she started the third day of her visit to Japan. "It seems to me an act of barbarism that would have been totally unbelievable if it had not actually happened. One can only condemn utterly those responsible." she said.

A "horrified" Mr Pym made his call for an Israeli withdrawal and raised the possibility of the return of the UN force, on BBC Radio's "The World This Weekend."

"The Israelis had gone into West Beirut "ostensibly to stop further loss of life," he said. But by allowing the right-wing Christian militia to go into the camps. "You could expect horrifying results.

"So at best it was incompetent, but I suspect it was worse than that."

Mr Healey said the Israelis should withdraw immediately "as they cannot maintain law and order in Lebanon" and be replaced by a multi-national force.

He urged the United States to put pressure on Mr Begin and called on the British Government to take the lead in organising European action.

Dr Owen called for a "real UN fighting force" to go in at once.

WORLD TRADE NEWS

Paul Cheeseright charts the performance of Britain's top 100 exporters in 1981

UK motor groups fall back in export league

BRITISH PETROLEUM last year retained its position as the UK's largest exporter, consolidating a place it has held since 1977.

ICI remained in second place, but British Aerospace and GEC supplanted the two major motor companies, BL and Ford, in the top four.

The table covers a period when industry generally was finding it difficult to expand in the recession-laden international market, despite the improvement in productivity noted by bodies like the British Overseas Trade Board.

During 1981 the volume of exports showed little change over 1980. The surplus on current account was estimated at £6bn, but the detailed figures for visible exports are unavailable because of the civil servants' strike.

The current account surplus owed a good deal to higher sales by oil companies. In BP's case the rise in export earnings to £2.8bn from £2.29bn in 1980 reflected higher prices abroad at a time when internal demand slackened.

But other oil companies showed notable gains in the league table, with Conoco climbing to 9th position from 16th in 1980 and Texaco entering the list in 37th place, as offtake from the North Sea rose.

The performance of British Aerospace and GEC, whose exports have continued to rise, indicated some buoyancy on the high technology markets. And the same could be said of Racal, which climbed 12 places to 20th in the first full year after its merger with Decca.

By contrast, the motor industry continued to feel the pinch of tight market conditions. Ford overtook BL, but both lost ground in the table, from 5th to 4th and 6th to 3rd, respectively. The value of BL's exports was virtually unchanged, while those of Ford moved up although they have still not approached the 1979 figure.

But there are two serious omissions from the top 10 or 12 in the list — Shell and Esso Petroleum, neither of which could make their export figure available. Until last year the value of direct exports was statutorily required information in an annual report. But the Companies Act 1981 lifted that obligation.

In one other case, Cadbury Schweppes, only an estimated range of figures for direct exports was available. The figure published is the middle of the range.

Philips, in 33rd place, deconsolidated Cambridge Electronic Industries during the year, and this partially accounts for its fall from 29th in 1980.

But, regardless of special situations of that type, the figures cannot give a meticulously accurate comparison of export performance because of the different financial year-ends.

The export values cited are those either for calendar 1981, or for the 12 months financial period ending between March and November 1981. There are two exceptions — for companies whose financial years ended in January 1982.

As stated in previous years, it is almost impossible in lists of this kind to avoid some errors or omissions. It is hoped they will be brought to our attention by the companies concerned.

THE TOP HUNDRED EXPORTERS—1981

(Previous year's ranking in brackets)

		1981 £m	1980 £m
1 (1)	BP	2,807	2,289
2 (2)	ICI	1,453	1,173
3 (7)	Brit. Aerospace	1,027	789
4 (5)	GEC	965	805
5 (4)	Ford	919	852
6 (3)	BL	884	880
7 (9)	British Steel	667	650
8 (10)	Rolls-Royce	610	554
9 (16)	Conoco	578	343
10 (12)	Unilever	486.3	454.8
11 (14)	Massey-Ferguson	432.1	428.3
12 (13)	IBM	420	452
13 (11)	Courtaulds	414	493
14 (15)	Distillers	406.1	386.7
15 (17)	Hawker Siddeley	321	289
16 (18)	Johnson Matthey	295.5	251.1
17 (20)	BICC	257.3	243.5
18 (23)	Rank Xerox	235.8	230.2
19 (25)	Lucas	235	223.9
20 (32)	Racal	*232.7	107.7
21 (28)	BAT Industries	231.6	211
22 (21)	Tube Investments	230.4	235
23 (27)	Inco	216.5	215.7
24 (26)	Rothmans Intl.	212.1	217.1
25 (19)	Brit Shipbuilders	206	251
26 (30)	GKN	192.6	193.1
27 (24)	Davy	192	229
28 (46)	Cummins Engine	184.6	127.6
29 (35)	Mobil	184	163
30 (41)	Vickers	177	142.1
31 (43)	Glaxo	176	131.6
32 (36)	Kodak	176	160.9
33 (29)	Philips	*170.9	204.5
34 (33)	Caterpillar Tractor	170.2	173.8
35 (37)	Thorn EMI	167.9	198.4
36 (39)	Michelin	149.7	143
37 (—)	Texaco	148	49
38 (50)	S. Pearson	141.1	123.6
39 (22)	Vauxhall	140.7	234.5
40 (40)	Babcock Intl.	136.4	146.5
41 (81)	Monsanto	130.7	70
42 (34)	Ciba-Geigy	129.6	167.2
43 (38)	Dunlop	129	149
44 (44)	Eng. China Clays	128.4	130.2
45 (62)	STC	126	94.7
46 (55)	Wellcome Found.	116.3	107
47 (31)	Talbot	115.6	189.4
48 (61)	Assoc. Octel	114.1	94.9
49 (53)	ICL	110.7	111.2
50 (54)	John Brown	110.4	118.2
51 (58)	De La Rue	110.2	102.3
52 (52)	Turner & Newall	109	112
53 (48)	Dowty	108.6	127.9
54 (60)	Plessey	**104.3	**97.4
55 (64)	Beecham	106.1	92.2
56 (56)	Rio Tinto-Zinc	105.5	105.3
57 (66)	Grand Met.	102.6	91.4
58 (67)	Esso Chemical	100.1	88.5
59 (70)	Westland	99.3	78.3
60 (45)	Burmah	98.9	128.2
61 (57)	Albright & Wilson	97	103
62 (59)	Reed Intl.	95	100
63 (51)	Simon Eng.	95	112.7
64 (63)	Seagram	93	93.3
65 (72)	Acrow	89	77.1
66 (71)	Gulf Oil	83.3	77.3
67 (91)	UDS	†83.1	61.3
68 (—)	Tate & Lyle	80.4	51.9
69 (74)	Assoc. Engineering	74.6	76
70 (69)	D. Brown Tractors	75.3	78.3
71 (82)	J. C. Bamford	74.3	69.1
72 (49)	Intnl. Harvester	74.2	124.3
73 (90)	BTR	73.3	62.7
74 (80)	Pilkington	72.2	72.3
75 (65)	Alcan	71.5	91.9
76 (93)	Arthur Guinness	71.1	59.5
77 (92)	Smith Industries	70	60
78 (76)	Coats Patons	69.2	71.7
79 (87)	Shorts	68.8	65.1
80 (83)	Lonrho	68.4	67.5
81 (86)	Borg-Warner	68	65.5
82 (78)	Metal Box	68	71
83 (79)	Molins	67	70.5
84 (—)	Ferranti	63.3	54
85 (—)	Lilly Industries	62.5	41.3
86 (98)	Tootal	†61.7	55.4
87 (—)	B.E.T.	61.5	48.6
88 (89)	Blue Circle	61.5	64.5
89 (68)	Delta	61.2	79.2
90 (88)	Allied Breweries	60.4	**65.1
91 (77)	Du Pont	60	71.4
92 (95)	Cadbury	*57.5	**58.3
93 (73)	BOC Intnl.	57.3	76
94 (85)	Rowntree	54.1	66
95 (—)	600 Group	54.2	47.3
96 (—)	Thomas Tilling	52.7	53.7
97 (—)	Portals	53.1	47.7
98 (97)	Bowater	53	55.5
99 (—)	Polaroid	53	45
100(—)	Goodyear	52.9	49.5

* Not comparable, see text. † Year ending January 1982. ** 53 weeks.

U.S. lorry curbs plan worries Canadians

By Nicholas Hirst in Toronto

PRESIDENT REAGAN is today due to sign a Bill including a clause that would place a two-year moratorium on the granting of licences to Canadian long-distance lorries to deliver goods into the U.S. Canadian officials late last week were still holding discussions with Washington to try and persuade the President to use a waiver in the clause, declaring the ban against U.S. interests. That would allow licences to be granted and avert possible trade friction between the two countries.

But although the Reagan Administration agrees with the Canadians that the moratorium is unfair, Canadians were becoming increasingly concerned that the President felt that use of the waiver would appear as a slight to Congress and particularly to Sen. John Danforth, chairman of the subcommittee on international trade.

Sen. Danforth, who brought in the amendment, is an important supporter of the President in an influential position and the White House is apparently concerned not to hurt him politically at a time when he faces re-election.

The moratorium was put in the Bus De-regulation Bill following lobbying by some long-distance lorry operators in the U.S. "to achieve fair and equitable access for American carriers in the Canadian market. The Canadians have warned that the provincial licensing authorities could take reciprocal action if the moratorium is imposed.

Canadian officials are angry about the moratorium. One Embassy official said that Congress's attitude over the access of foreign lorries into American markets contrasted with the Administration's desire to open service industries to freer international trade under the Gatt rules.

Gatt to press for 'ceasefire' deal on protectionism

BY PAUL CHEESERIGHT IN GENEVA

THE FIRST concerted action to check the spread of protectionism since the 1970s' proliferation of import restrictions taken outside the international trading rules, is now under active consideration by the major trading nations.

Talks at official level, both formal and informal, could lead to nearly 90 trade ministers declaring a "ceasefire" on protectionist measures when they meet at a specially called conference of the General Agreement on Tariffs and Trade (Gatt) in November.

Preparatory meetings for this conference resumed last Friday at the Gatt headquarters in Geneva. They are expected to continue today and from the end of this week to go forward in more or less continuous session.

The ceasefire would be the central point of the ministerial conference's communique, signalling a desire to go further than a ritual reaffirmation of the value of the open trading system characteristic of ministerial meetings at the Organisation for Economic Co-operation and Development and at summits of the industrialised nations.

Details of the terms of a settlement are a long way from being settled, but the lowest common denominator of thinking on the subject would suggest that it would embody the commitment not to take any further protectionist measures outside the rules of the Gatt.

Last year trade restrictions imposed within the terms of Gatt rules accounted for goods worth about $2.5bn, but restrictions imposed outside the Gatt rules are thought to have covered about $60bn.

Article 19 of the Gatt provides for a nation to restrict imports when a surge damages domestic industry, but the restrictions should traditionally be applied to all suppliers without discrimination.

India starts talks with USSR on steel plant plan

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government said at the weekend it had begun talks with Moscow on possible Soviet participation in the construction of a major integrated steel plant to be built in the state of Orissa.

A protocol signed between India and the Soviet Union shortly before Prime Minister Indira Gandhi begins a five-day visit to Moscow today, says the two countries are discussing co-operation in a number of industrial projects, including the Orissa steel plant, the first phase of which is to bring it to a capacity of 1.7m tonnes a year.

British officials began talks earlier this month on the participation of UK companies in the project which is also on the agenda for Mrs Gandhi's meeting with Mrs Margaret Thatcher during the British Prime Minister's stopover in New Delhi on her way back from the Far East.

Talks on British participation in India's steel industry were started following the revocation of a letter of intent given to Davy McKee of the Davy group of Britain for building the Orissa plant on a turnkey basis.

The letter of intent, awarded last year, was revoked by India's steel indsutry last May when Davy McKee reportedly sought to raise the original price of £1.8bn for the plant and also wanted to withdraw the turnkey basis of the offer.

SHIPPING REPORT

Fall in tonnage and rates out of Kharg Island

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE AMOUNT of tanker tonnage fixed out of Iran's Kharg Island, where rates have risen sharply during hostilities with Iraq, declined last week. While rates accordingly eased, they were still well above those for loading out of other Middle East terminals.

Previous reports that as much as Worldscale 100 may have been paid for a big tanker from Kharg Island to the Far East were discounted.

Up to Worldscale 70 has been paid, however, with rates last week dropping to Worldscale 62½. Galbraith Wrightson instanced the case of Turkish charterers paying only Worldscale 31 for a 125,000 ton cargo from Rastanurah in Saudi Arabia but as much as Worldscale 70 for 135,000 tons from Kharg.

Dry cargo markets had another poor week, according to Denholm Coates. Grain levels from the U.S. Gulf fell back a little after their recent modest recovery. "The Far East remains abysmal," it added.

Emphasising the continued gloomy outlook on world shipping markets, consultants H. P. Drewry said the underlying tone of dry cargo markets remained bleak, though a prospective rise in U.S. grain exports had encouraged hopes for better rates.

It said the inactive dry cargo fleet totalled over 13m deadweight tons at end-August. Idle combined carriers, which can carry oil or dry cargoes, amounted to 4.7m dwt.

On the tanker market, tonnage laid-up or inactive for at least two months rose by 2.9m dwt at the end of August. Including idle combined carriers, the end-month figure was nearly 79m dwt.

For those owners prepared to take the risk, said Drewry, Kharg Island fixtures were likely to be the only ones on the tanker market above rock-bottom levels. Tankers loading at Kharg have to pay a war risk insurance premium.

World Economic Indicators

INDUSTRIAL PRODUCTION (1975=100)

					% change over previous year
	Aug '82	July '82	June '82	Aug '81	
U.S.*	138.0	138.7	138.5	153.6	−10.2
	June '82	May '82	Apr '82	June '81	
W. Germany	117.5	122.2	123.0	120.8	− 2.7
France	118.9	117.6	120.0	120.5	− 1.3
Italy	125.5	131.5	133.7	130.8	− 4.1
Netherlands	103.0	104.0	112.0	106.0	− 2.8
UK	103.4	101.5	102.0	103.8	− 0.4
Japan	147.3	144.8	147.3	146.1	+ 0.8
	Apr '82	Mar '82	Feb '82	Apr '81	
Belgium	120.4	110.6	117.1	117.1	+ 2.8

* 1967=100

Source (except U.S. and Japan): Eurostat

GEC-Marconi in radio equipment deal with Nippon

BY GUY DE JONQUIERES

GEC-MARCONI and Nippon Electric (NEC) of Japan have agreed in principle on arrangements which would entitle the British company to make and sell under licence cellular radio-telephone equipment developed by NEC.

GEC-Marconi is the latest in a series of UK and foreign-owned manufacturers which have recently announced plans to attack the British market for cellular radio equipment. It is estimated that sales could total as much as £300m between now and 1990.

Cellular radio vastly expands the capacity of mobile telephone systems by allowing channels to be used more efficiently. Cities are divided into "cells" a few miles across, each served by a computer-controlled transmitter operating at a different frequency.

The Government plans to license two competing networks to offer cellular services from early 1985. One would be a joint venture between British Telecom and Securicor, the security services company, and the other a private consortium. A group of companies headed by Air Call is considered front-runner for the private licence.

Applicants must submit detailed proposals to the Government by the end of this month. The type of cellular systems which they adopt could have important consequences for the design of their networks and for equipment manufacturers.

No cellular equipment is made in Britain. The choice lies between a U.S. system known as AMPS, the Nordic mobile telephone system (NMT) in use in Scandinavia and a system operated by Japan's telecommunications authority, Nippon Telephone and Telegraph (NTT).

Securicor and the Air Call consortium both strongly favour the American system. But British Telecom, Securicor's partner, appears still to be wavering between AMPS and NMT.

GEC-Marconi is pressing strongly for adoption of the NTT system, which NEC helped to develop and make. But the British company says that it could also supply suitable equipment developed by NEC even if one of the other systems was selected by the network operators.

GEC-Marconi would make NEC mobile telephone units and transmitters under licence but would import assembled exchanges. NEC, which makes computers as well as communications products, recently agreed to supply radiopagers to Rediffusion.

This is the second agreement reached between GEC-Marconi and a large Japanese company. It is already cooperating with Mitsubishi in marketing satellite earth stations.

Other companies planning to sell cellular radio equipment in Britain include Plessey, which is discussing a licensing agreement with American Telephone and Telegraph, Motorola of the U.S., which is building a plant in Basingstoke, Hampshire, CIT Alcatel of France, the Dutch Philips group and its UK subsidiary, Pye.

SDP seeks race rights at work

BY PETER RIDDELL, POLITICAL EDITOR

COMPANIES getting public sector contracts and government grants should lose these benefits if they fail to provide equal opportunities for all races in employment, according to a Social Democratic Party consultative "green paper" published over the weekend.

The 38-page paper, "Britain's Urban Crisis," is the ninth in the series and will be discussed at the SDP consultative assembly in Derby on October 14.

It has been prepared by a group chaired by Mrs Shirley Williams and contains a long list of suggestions for dealing with the problems of inner cities, covering employment projects; house improvement; police recruitment, training and relations with the local communities; and monitoring the employment of ethnic minorities in the public service.

One key proposal is that a new Human Rights Commission should be established, incorporating the Commission for Racial Equality. It should have adequate resources for conducting investigations into discrimination in housing, employment and education.

The Government should require public contractors and other employers getting public benefits to submit equal opportunity policies leading to certification as Equal Opportunity Employers by the Human Rights Commission.

Action should be taken against defaulting employers, including the suspension or cancellation of contracts and other public benefits.

The paper suggests that police accountability in London should be strengthened along the lines proposed in the Scarman report, with a statutory framework of local consultation between the Metropolitan Police and the community at borough or police district level. Police authorities outside London should be strengthened by representatives from voluntary and community organisations.

● Mr John Grant, the Social Democratic MP for Islington Central, will not stand in his constituency at the next general election, but is likely to seek a seat elsewhere.

His withdrawal prevents a contest between the three existing SDP members for Islington—the others are Mr George Cunningham and Mr Michael O'Halloran—one seat in the borough is due to disappear under the proposals for boundary changes.

"Britain's Urban Crisis," £1, SDP, 4 Cowley Street, London

Economy 'poised to resume recovery'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE UK economy is now poised to resume the recovery which was aborted last autumn according to Greenwell the stockbrokers in its influential Monetary Bulletin published this weekend.

Greenwell has concentrated on monetary indicators for predicting turning points in the economy, unlike many of the other brokers, which publish detailed forecasts.

It says the recovery, which started in the spring of 1981, ran out of steam in November, mainly because the authorities' monetary policy became too tight.

This was partly because of the sharp rise in interest rates engineered by the authorities to defend sterling against pressure from high U.S. rates.

Greenwell says: "The authorities started to push interest rates down in January 1982, but their resolve was hindered initially by high interest rates in the U.S. and subsequently by the Falklands crisis."

It says that in real terms (after adjusting for inflation), the stock of M1, the narrow measure of money, declined by 5 per cent in the year to May 1982, while sterling M3 the broad measure of money, rose by only 3 per cent in the period.

"Given this monetary squeeze in real terms, the termination of economic recovery in November is not surprising," it says.

However, in the three months to August 1982, the broker says M1 rose by 11 per cent in real terms while sterling M3 rose by 6 per cent.

This faster monetary growth would have to continue for at least six months for there to be a significant impact on the economy, Greenwell says.

But it believes this is likely on the grounds that after a period of excessively tight monetary policy, the authorities are likely to take a risk on the side of overshooting targets.

Support for the idea that recovery will soon get under way comes from the broker Hoare Govett in its latest Economic Outlook.

Although Hoare Govett thinks the immediate prospects will be depressed by continuing world recession, it expects growth to be renewed later this year and to accelerate next year, with a 2.8 per cent increase in real output for 1983 compared with 1982.

Rowe and Pitman, however, takes a less sanguine view in its September Market Report. This broker believes output this year will be only a half per cent higher than last year's level with growth of only 1.5 per cent next year.

Call for action to end agricultural rates holiday

BY ROBIN PAULEY

THE ASSOCIATION of British Chambers of Commerce has called for immediate action to reform the continued exemption from rates of all agricultural land and buildings.

The ABCC said a timetable should be established for the early rating of agricultural land, and described the situation as "offensive, especially when escalating industrial and commercial rates have added to manufacturing decline and consequent employment."

Farmers benefited substantially from local services and should pay a fair share of the cost of such services.

However, the Aberdeen and Kincardine area of the National Farmers' Union protested to the ABCC giving 11 reasons why agriculture should continue to be exempt.

The ABCC replied strongly saying it is "astounded at the nerve of the NFU."

The ABCC Economics Director, Mr Joseph Egerton, said the NFU had scarcely advanced any argument which did not also apply to many sectors of manufacturing industry.

He said, "One's sense of outrage at the sectoral interest is increased by the knowledge that the loudest screams for compensation for flood damage around Selby earlier this year came from local farmers."

The farmers argue that land and buildings are the tools of their trade and rating them would be akin to proposing a rate on industry's raw materials. The ABCC rejected this and said land is equivalent to factory sites.

The NFU said agriculture is one of the most capital intensive industries in the country and the return on capital in relation to the assets involved is much lower than for other types of business of the same scale. The ABCC replied: "Try telling that to the steel industry."

All the arguments concerning the drain on capital which would result from rates and the effect it would have on farmers relative to EEC competitors are the same for industry, "but with greater force since, unlike agriculture, manufacturing is subject to intense EEC competition," the ABCC said.

Moves to boost Welsh jobs

A PACKAGE of unusual initiatives to boost local employment opportunities has been launched by the West Wales county of Dyfed.

One scheme aims at halting the downward trend in apprenticeships. The council is to offer a training allowance of £780 in the second year of apprentice training to employers who take on additional apprentices.

Another initiative is to encourage the employment of young people for three-year training in craft industries such as pottery, dyeing, weaving, wrought iron working, wood carving, or wood working within the county.

The county council will also be promoting a recently-launched small firms wages subsidy, financed jointly by the county council, district councils and the European Social Fund. It provides a subsidy of 30 per cent of the actual basic pay of each individual new permanent employee (who was previously unemployed) for the first 26 weeks of the job.

UK NEWS

Oil and gas licensing to include auctioned blocks

BY RAY DAFTER, ENERGY EDITOR

THE Government is expected to invite bids for a round of offshore oil and gas licences this week in the eighth round of licensing. This will include for the first time in a decade, 10 to 15 auctioned concessions.

The Government is anxious to raise instant cash from these auctioned blocks, which are likely to be allocated in the New Year.

Applications for most of the 150 to 200 blocks on offer, however, will be considered in the traditional way, on a discretionary basis taking into account various factors such as bidders' technical expertise and financial standing.

The Government hopes to licence about 85 of the blocks, which are on offer in various parts of the UK continental shelf. The industry expects a keen response to many of the offers, particularly those in the North Sea.

Blocks in the gas-producing area of the southern North Sea are expected to attract many bids now that the British Gas Corporation, in need of supplies, has signalled willingness to pay higher prices for natural gas.

Oil companies are already countering any possible government claim that active bidding will signify the industry's acceptance of the present tax system. Companies say they seek exploration territory in the hope the tax rate will be lower when they are ready to exploit new discoveries.

Mr George Williams, director general of the UK Offshore Operators Association, said at the weekend: "We think exploration should be at a higher level. Naturally, every time an exploration round comes along we welcome it."

How much the companies will be prepared to bid for the auctioned blocks is, however, far from clear. In the previous licensing round the Government raised £210m through the award of self-chosen premium blocks. Companies were asked to pay £5m a time for blocks of their choosing in part of the North Sea, the same area likely to feature in the forthcoming auction.

Companies say they are unlikely to bid many millions when they have had an opportunity already to "buy" the licences for £5m apiece.

On the other hand, it is known there was keen competition for some of the self-chosen blocks. The Government felt then that companies were prepared to pay more than £5m for some of the more prospective licences.

Ministers hope exploration information in the past couple of years will have revealed particularly attractive blocks, which could trigger bids appreciably in excess of £5m.

Bidding, however, will be conditioned by present rules. These state that companies must continue to pay all offshore taxes on their discoveries, irrespective of how much they pay in an auction.

U.S. urged to relent on pipeline

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE U.S. will come under further pressure this week to soften its attitude towards European involvement in construction of the trans-Siberian gas pipeline, when Sir Geoffrey Howe, the Chancellor, meets Mr Donald Regan, the Secretary of the U.S. Treasury, for talks in Washington.

The meeting is scheduled to take place as part of a three-day visit in which Sir Geoffrey is due to give a number of lectures in the States.

The pipeline question, which was discussed forcibly by the U.S. and its European allies at the recent Toronto meeting of the International Monetary Fund and World Bank, will be one of the main topics to be presented by Sir Geoffrey.

There were indications in Toronto that at least some members of the U.S. Administration would like to find a formula for defusing the dispute and giving at least tacit recognition to the view that in this case European commercial interests should take precedence over more general East-West strategic considerations.

The pipeline is being built with the help of several European engineering companies, including John Brown Engineering in the UK.

However, important parts for the turbines used for compressing the gas were supplied by General Electric of the U.S. (no connection with the UK General Electric Company). These turbines have now been shipped to the Soviet Union in defiance of the U.S. ban.

Sir Geoffrey's aim will be to persuade the U.S. Administration of the folly of its decision to take retaliatory action against companies involved.

Sir Geoffrey and Mr Regan will probably also continue discussions, started in Toronto, about the need to increase the resources of the International Monetary Fund. This is now considered particularly urgent because of the threat of an international banking crisis.

After its reluctance earlier this year to agree to any increase in the IMF's quota subscriptions (its main source of funds), the U.S. is now proposing a special crisis fund to cope with world financial emergencies. It is also talking about a substantial increase in quotas of perhaps 25 per cent.

Sir Geoffrey has been one of the main mediators seeking a compromise between the previously strict U.S. position and demands from the Third World for a doubling or even tripling of the fund's resources.

Although this gap was narrowed in Toronto, Sir Geoffrey will this week be seeking to close it further in the hope that detailed agreement can be reached at the Fund's next interim committee meeting in the spring.

GLC industry chief criticises enterprise zones

By Alan Pike, Industrial Correspondent

SERIOUS DOUBT about the value of enterprise zones is expressed in a report to the Greater London Council's industry and employment committee.

Applications closed last week for 11 zones to join those already set up by the Government. One of the original zones is in London, on the Isle of Dogs, but Mr Michael Ward, chairman of the committee made clear at the weekend that the council would not welcome another.

Mr Ward said the GLC did not see the advantages of enterprise zones, especially in London.

"It seems to us that another enterprise zone in the London area, far from creating some kind of bustling booming home-grown Hong Kong, would create significant problems for the host borough and even for surrounding boroughs."

In the life of Docks zone, said Mr Ward, it appeared that of eight serious applications only one came from outside London.

The Government launched enterprise zones in 1980 based on the theory that scrapping planning controls and introducing rate exemptions and other inducements would spur economic regeneration.

Food consumption sharply higher in second quarter

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

FAMILY CONSUMPTION of food in the second quarter of this year rose sharply in comparison with the first three months of 1982, according to the National Food Survey published today.

The survey, based on data supplied by 2,155 households, showed that the volume of food bought in the second quarter of this year was some 4 per cent higher than in the first quarter.

However, the increase was partly due to the disruption to food supplies in the early part of this year because of the severe wintry weather. In value terms, the second quarter of 1982 showed a 6.9 per cent increase over the first quarter, with average expenditure of £8.34p per head per week being some 54p more.

The April to June food expenditure this year was also some 79p — or 10.5 per cent — higher than in the second quarter of 1981, while the volume of food bought was 1 per cent greater.

The survey shows milk consumption slightly lower in the second quarter of this year than in both the first quarter of 1982 and the corresponding quarter of 1981. However, families were buying more cheese and substitute milks, such as skimmed milk.

Consumption of margarine—particularly the soft variety—also rose in comparison with the same quarter last year. This almost offset a decrease in butter consumption.

The survey also showed that household consumption of sugar fell sharply to a new low level of 9.57 ounces per person per week, while consumption of eggs decreased slightly.

The survey also shows that the nutritional value of the household diet was in general higher in the second quarter than in the first three months of this year. Vitaman C in particular was more plentiful in the household diet.

Fine Fare to aid child charity

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

ONE OF the largest-ever sales promotions in the food trade aimed at helping charity will be launched this week by Fine Fare, the supermarket chain.

The stores group has joined some major food manufacturers to try to raise £200,000 for the Save the Children Fund. This charity supports more than 500,000 children wordwide. In the UK 10,000 children benefit daily.

Fine Fare's customers in its 400 stores can collect labels or tops from the 150 well-known branded soups, biscuits, coffees, pet foods and other goods.

For every label collected the sponsors will donate 2p. Fine Fare will double the donation if till-receipts to the value of £5 or more are included with the labels.

Mr John Allan, Fine Fare's marketing director, said: "families are the basis of our business, so we decided we would like to help children who have no families."

Fine Fare is printing about 8m leaflets to help customers to collect the labels.

Strasbourg to decide on sacking payment

By Raymond Hughes, Law Courts Correspondent

JUDGES of the European Court of Human Rights will meet in Strasbourg on October 1 to decide whether to approve the £145,000 compensation offered by the UK Government to three former British Rail employees.

The employees were sacked in 1976 for refusing to join a closed shop.

The court will sit in private, without the parties or their lawyers. It is likely to be several weeks before it announces its decision.

At the end of a five-year legal battle, the court ruled in August last year that the sacking had violated the men's right's under the European human rights convention, and they were entitled to compensation from the UK Government.

Subsequent negotiations between the Government and the men's lawyers led to the three being offered a total of £145,000 including costs.

All three rejected the offer. They complained the compensation related only to material losses—such as earnings and pension rights—and did not include "moral damages" to compensate for the stress and anxiety caused by the sacking, and by their battle on behalf of an important principle.

They also said the £65,000 allocated for costs was inadequate, because it would not reimburse the right-wing Freedom Association all the money it had spent in backing their long fight.

Their complaint to the European Human Rights Commission on those issues fell on stony ground. The commission decided that the Government's offer represented "just satisfaction" of the men's claims.

The Strasbourg court has now to decide whether it agrees with the commission or thinks the Government should increase its offer.

One of the three men, Mr Iain Young, a former BR clerk, is not optimistic about the outcome.

He says, "The government made use of us and our case in the last election, but then fought us all the way in Strasbourg, and is still not prepared to admit its guilt by offering us moral damages."

Mr Young, who claimed £24,708, was offered £19,626. He says the government increased the costs of the case by having the hearing postponed, but would not cover the extra expense to which the three men were put by the delays.

Since his sacking, Mr Young, 37, has graduated as an LL.B. and is now a full-time law student in London. He hopes to take his final examinations next year and qualify as a barrister, specialising, if possible, in maritime law. In recent vacations he has worked as a ship's purser and as a shipwright's labourer on Clydeside.

Mr Roger Webster, 66, who was offered £10,076, is more optimistic about the outcome. "I don't see how the court can fail to award us more," he said this week.

He has asked the court to rule that he should either have £20,000 moral damages, or increased costs to cover the £15,000 to £16,000 shortfall he calculates each man is suffering.

Mr Webster complains at the government's refusal to accept the idea of moral damages—which was always the main plank of his claim, because his own material losses were negligible.

What the government did in its offer was to add to the sum for material damage a figure of £10,000, of which Mr Webster's share was £2,000, for what was described as "non-pecuniary loss."

Mr Noel James, 52, is still unemployed, as he has been since he lost his job with BR six years ago.

He was offered the largest sum of the three £51,215. He has asked the Strasbourg court to award him additional moral damages and increase his costs figure.

Aberdeen shares in fuel oil bonanza

Mark Meredith looks at a port thriving on activity in the N. Sea

SERVING the North Sea oil industry has brought profit and a bustle of activity to the port of Aberdeen. The quays throb with multi-coloured supply boats, all brawn and business, loading up with pipes, drilling mud, cement and supplies for the offshore platforms.

On one average morning last month, 31 ships and boats were in the harbour. Among them was a mustard yellow monster of a diving support vessel, an awkward-looking craft with a helicopter pad on its bow and powerful red fire-fighting nozzles amidships. It costs tens of thousands of pounds a day to run and its owners were impatiently awaiting the start of the next contract.

Aberdeen must be one of the

PORTS IN BRITAIN
ABERDEEN

few harbours in Britain which has recently hired dockers. While other ports are shedding their workers in the face of declining business, Aberdeen has taken on 12 more to bring its workforce up to over 130.

After a bad patch of labour disputes last winter, the dockers have now signed an agreement with their stevedoring employers lasting till 1985.

Aberdeen is also a commercial cargo port with roughly 50 per cent of its revenue coming from goods and passenger traffic. Another 12 per cent of its revenue comes from fishing—nearly three-quarters of the fish caught in Scotland pass through the port.

But the growth of the oil industry has had its most profound effect on the outlook and appearance of the harbour and accounts for some 38 per cent of its income.

Look at the oil supply boats, many parked two and three abreast in the harbour, and ask John Turner, the general manager of the Aberdeen harbour board, what will happen when the oil bubble bursts. Hasn't he put too many eggs in one basket and does he not fear the day when petroleum interest wanes in the North Sea?

The former master mariner and navigation officer with Cunard will tell you he is not worried. Oil companies have signed long leases for harbour space which show their long-range confidence in the need for continued North Sea services.

But the search for new non-oil business is a vital part of port activity. The port wants to expand its passenger and general cargo activities making use of its floating roll-on/roll-off ramp which can be moved into any dock space and adapted to all ro-ro ship configurations.

The best gauge of the port's prosperity has been its fees, which are lower than many of its competitors' and which, the port authority points out, have increased in the past few years at a rate below the level of inflation.

The port handled a record tonnage last year of 2,299,000 tonnes and increased its operating revenue from £5,658,000 in the previous year to £6,130,000. Its net surplus increased from £642,000 to £863,000 over the year.

The oil companies operating offshore look to Aberdeen to set up multi-purpose supply centres. It's called "one-stop shopping," for where time is money, supply ships serving a platform at sea need a fast turnaround. Drilling mud and cement can be pumped from dockside silos under the quay straight into tanks in the boats' holds while lengths of pipe and other heavy equipment is being loaded with cranes.

The oil majors — Amoco, Chevron, Shell, Texaco, and Total—lease parts of the quayside for their supply operations as do two specialist oil servicing companies, Seaforth Maritime and the John Wood group.

Other ports in Britain would be happy to take some of Aberdeen's problems on board. The port is fighting to overcome a bad name for congestion—a reputation which spread through the seafaring world in the 1970s while extensive alterations were under way. There is room for all comers now, the harbour board says.

It is also trying to win back fishing business which has left for other ports. Most of the fish processing industry for the region is based in Aberdeen but the temptations of non-national dock labour scheme ports such as Peterhead and Fraserburgh to the north, where fishermen can off-load their own fish, has led to a gradual erosion of the number of fishing vessels using the port.

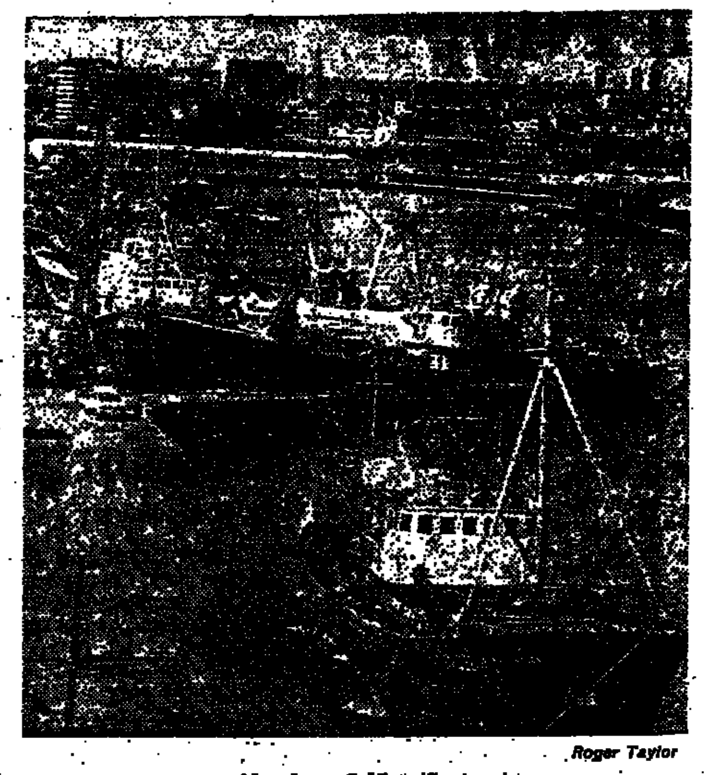
But a £3m investment by the harbour board in a new fish market completed in 1980, and a long-term working agreement between the fish porters who off-load the crates of fish, are starting to lure back some of the lost businessness, John Turner says.

The fishing boats congregate in the Albert Basin between the River Dee and the Victoria Dock. But their numbers have dwindled to about 60.

A large recently-refurbished passenger terminal also awaits international traffic. But Aberdeen's only passenger traffic is with the northern isles.

Aberdeen is less worried about the loss of cargo to the south which plagues the other big Scottish ports such as the Clyde, the Forth and Dundee. Its interests are sufficiently specialised with an oil-serving hinterland as close as the industrial estates in the city suburbs. It also has traditional ties as a port serving the prosperous Grampian farms.

The strength of the harbour means that while it is ready to look at the problems it has in common with other Scottish ports, it may be less willing to act with them to stem lost business.



Roger Taylor

Aberdeen fishing fleet

Trade fears over U.S. shipping deals

BY ANDREW FISHER

THE GOVERNMENT is worried that U.S. shipping deals under discussion with developing countries could seriously disrupt free trade in the industry. It plans to increase pressure on the U.S. administration to reconsider its policy.

Shipping, which is in a worldwide slump, contributes over £1bn to Britain's balance of payments each year. Bilateral deals like those the U.S. is contemplating would hinder access to international routes.

A large part of UK freight earnings comes from cross-trading between non-British exporting and importing countries, so the eventual effect on British companies could be severe.

Bilateral deals are under discussion between the U.S. and three developing countries—Indonesia, the Philippines and South Korea. If signed, such agreements would keep ships of other countries, like the UK, out of these routes.

Developing countries are keen to gain a greater share of trade on their own routes for their own fleets. The liner code worked out by the United Nations Conference on Trade and Development (Unctad) aims at achieving this on scheduled cargo routes.

Likely to come into force in 1983, it would allot 40 per cent of the trade on such routes to ships of the exporting country, the same to ships of the importing country, and the rest to cross-traders.

The U.S. is against the code and wants to make its own bilateral deals with developing nations. Britain intends to ratify the code under the provisions of the Brussels package which would avert protectionism in developed countries' shipping.

The EEC, Finland, Japan, Norway and Sweden had talks with the U.S. on the issue in June and more are planned for November.

Bentham pipes up for diversification

Lorne Barling reports on Bentham International two years after the buy-out

BENTHAM International, whose management buy-out in 1980 helped start a penchant for such deals in Britain, was exemplified last week by Mr Ian MacGregor, chairman of British Steel (BSC), as a company which understood "the challenge facing British industry."

For the management of the Gloucester-based company, this was high praise. Mr MacGregor chairman of British Steel (BSC), as a company which understood "the challenge facing British industry."

For the management of the Gloucester-based company, this was high praise. Mr MacGregor added that BSC needed every customer it could get and Bentham's expansion fully justified his visit.

Bentham, which employs 56 people, has recently invested about £750,000 in equipment to increase the quality and quantity of the high-specification welded pipe it manufactures, mainly for the oil and gas industries and nuclear power stations.

The company, which had been owned by Wilmott Breedon, was bought out from the Swedish company, Sandvic. The management took a 51 per cent share and the rest of the equity was divided equally by Midland Bank Industrial Finance and County Bank.

Mr Frank Jowett, the Bentham managing director, admitted that the four-year plan drawn up at the time of the buy-out had been wrecked by changes in market conditions. But he suggested that—by achieving quality and flexibility, and by delivering on time—the company had begun to make a name for itself in world markets.

In its first full year, the company made a profit of nearly £80,000 on a turnover of about £2m. It expects to do slightly better this year, on about the same sales volume.

The company's strenuous efforts to meet increasing specifications for pipes — for the North Sea, petrochemical plants and nuclear power stations—have been an important factor in its growth. According to Mr Tom Norvill, the quality assurance manager, this owes something to the company's origins in the aerospace industry. He and other employees worked on Olympus engines when the site was owned by Rolls-Royce. He pointed out that the first jet turbine, designed by Sir Frank Whittle, was fitted to an airframe in one of the existing factory buildings.

The latest quality-control investment by the company is in automated X-ray equipment to check welds, an increasing requirement illustrated by the need to X-ray 2,000 6-metre lengths of pipe for a Saudi Arabian order. The demands of nuclear-related work are even more stringent. Materials have to be kept in a bonded store before use to ensure a record of sources and quality in case of failure.

The company's other big investment is a new, 1,350-ton brake press, supplied by the Midlands company Bronx Engineering, which will allow the production of 8-metre pipe lengths, compared with the standard 6-metre lengths.

This lowers production costs for Bentham, and gives an advantage through the reduced costs in welding together pipe lengths, a costly and difficult process in some conditions.

Bentham now has a full order book until March. It exports nearly 40 per cent of production, having entered markets in the Middle East, the Far East, and on the Continent. It is now trying to break into the U.S.

Mr Tony Eden, the sales manager, said: "Being independent, we are not tied to any product or metal, and are able to discuss with customers how we can provide the right product for their purposes."

He claimed that no single pipe mill in Western Europe could offer such a wide range—from basic stainless to high-nickel alloy, cupro-nickel alloys, proprietary steel and titanium.

Bentham has also achieved diversification. It had been realised for some time that its equipment was flexible enough for other products. Applications have been found mainly in the construction industry, for which it is making high-specification box sections. Plastic-coated cladding products are being developed.

The sudden decline in North Sea activity about 18 months ago hit the company hard, according to Mr Jowett. Despite orders from the Central Electricity Generating Board and fairly strong oil and gas work abroad, the new products are important. He also pointed out that up to 70 per cent of the company's costs went on raw materials. For that reason efficiency was vital to remain competitive.

British companies given go-ahead for Nigerian contracts

BY ANDREW TAYLOR

LOANS totalling $216m (£125m) have been arranged by Lazard Brothers of London for a package of four Nigerian development contracts involving Simon Food Engineers, Badcock Electrical Projects, Cementation International (part of the Trafalgar House group) and Paterson Candy International.

The four contracts, all in Benue state, are for the construction of food processing plants, a rural electrification scheme, water supply projects, and building a covered market in Makurdi, the state capital.

The Nigerian federal government has agreed to provide guarantees for the overseas loans despite its economic austerity measures, introduced earlier this year to combat falling oil revenues. This is the second major overseas development finance deal to be approved by Nigeria in a month.

In August it gave the go-ahead for two loan agreements totalling $217m which were arranged by Morgan Grenfell. The deal was to help finance the British share of three large water supply contracts in Oyo state.

The Government is understood, however, to have put a ceiling of 200m naira (£17m) on the amount each state is allowed to raise in overseas development finance. Benue state, which has been a relatively low spender to date, comes within this ceiling and was therefore able to get the necessary guarantees and approval.

The deal comprises an £87m buyer credit supported by the Export Credits Guarantee Department and a commercial Eurodollar loan of $67.3m.

The package has been arranged by Lazard Brothers with funds provided by Bankers Trust Company, Barclays Bank International, Citibank NA, Standard and Chartered Bank, Crocker National Bank, National Westminster Bank, Banque Belge and Japan International Bank.

Buzby pulls Alston's plug

BUZBY, INSTEAD of making someone happy, has put a whole town ex-directory at a stroke. A British Telecom error omitted 600 subscribers at Alston, Cumbria, from the newly-issued Cumbria and North Lancashire telephone directory.

Mr William Ball, a resident and member of the Post Office Advisory Committee, said it was causing a lot of problems.

British Telecom said the Alston numbers were omitted in error. Nothing could be done until the next directory was issued in 1984. Business numbers were being added to the computerised directory used by inquiry operators. BT apologised and regretted any inconvenience.

Last chance for Labour right on leadership

By John Lloyd

A LAST chance for Labour right wingers to alter the composition of the electoral college which votes to choose the party leader and deputy leader will come up at the party conference next week.

A constitutional amendment calls for a 50 per cent share of the college vote for MPs, with 25 per cent each for constituencies and unions. The present composition is 40 per cent for the unions, with 30 per cent each for the constituencies and MPs.

The amendment was submitted by the Union of Communication Workers to last year's conference. It is due to come to this Conference as part of Labour's national executive committee's report.

The executive is to recommend to the Conference that the UCW amendment be rejected, in line with the decision taken on the present composition at the Wembley special conference last year.

The UCW has the right to demand that the amendment be voted on at Conference. This raises the possibility that right-led unions, such as the Amalgamated Union of Engineering Workers and Usdaw, the shopworkers' union, which did not support the 50:25:25 formula last year, would vote it through.

It seems unlikely, however, that UCW intends to force the issue to a vote. Its executive meets on Thursday to discuss the Conference. It is likely to be faced with a recommendation from its leadership that the amendment be dropped.

Scottish pit closure move angers miners

BY JOHN LLOYD, LABOUR EDITOR

ANOTHER BATTLE over a pit closure threatens to sour relations between the National Coal Board and the National Union of Mineworkers further, when wage talks between the two sides have virtually broken down.

The closure in question is of Kinneil Colliery, at Bo'ness in the Scottish Central region. The NCB says the pit has become uneconomic because of geological difficulties.

However, Mr Mick McGahey, the NUM vice-president and president of the Scottish NUM, has said the union would fight the closure.

He said yesterday: "We will not trade jobs for money. This is now a national issue, and we will not be associated with the review procedure on it."

Kinneil takes its place beside Snowdown Colliery, in Kent, where plans to cease production in order to open up a new face have also met union opposition. The NCB has attempted to persuade the mineworkers to join the two management unions in taking the issue to a dispute procedure—an invitation the NUM has refused.

Mr Arthur Scargill, the NUM president, has warned that the union will not take part in talks with the board aimed at reducing the workforce, in exchange for an offer of an increase above the 6.5 per cent tabled last week.

Both Kinneil and Snowdown will be used by the union to demonstrate that the board intends to reduce output. The two sides meet again on Thursday to resume the pay talks, but Mr Scargill has already all but ruled out any hope of an offer being made which would prove acceptable to the union's executive.

The NUM has drawn up plans for mass meetings up and down the country in the latter part of October, to whip up support among mineworkers for rejection of the offer.

● Mr McGahey said yesterday that a mass rally would be mounted in Downing Street in October by representatives of all sections of Scottish society to express opposition to the Government's policies.

Speaking after a meeting of the Scottish Committee of the Communist Party, Mr McGahey said that the rally would be organised by the "triple alliance" of coal, steel and rail unions. The plan is to demand to see Mrs Thatcher to protest at the effect of her policies on Scottish industry.

He said: "We don't want to see the Tory monkeys, we want to see the organ-grinder."

CBI backing for statement on employee involvement

BY OUR LABOUR EDITOR

GOVERNMENT plans to legislate for the inclusion in company reports of a statement on employee involvement have been broadly supported by industry.

The proposals, which have been the subject of consultation over the past few weeks, stem from an amendment to the Employment Bill proposed by Lord Rochester, a Liberal peer, while the Bill was passing through the Lords.

The Government has accepted the amendment in principle, subject to approval by business groups.

The Confederation of British Industry (CBI), in informal talks with the Government, has said it will not oppose the measure. It has been against the inclusion in company reports of any material not directly relevant to the financial position of the company.

The CBI has recognised that the Government is largely committed to the measure, and that a move towards employee involvement is valuable at a time when more sweeping legislative changes are being proposed by the EEC commission.

More positive support has also come from the Engineering Empoyers' Federation, which today welcomes the proposal, saying it would "make a worthwhile contribution to the further voluntary development of employee involvement on lines desired by employers and employees."

The federation proposes that the obligation be placed on each company with more than 250 employees: that the legislation be broadened to include statements on the maintenance of employee involvement programmes, as well as introducing them; and that the law should not suggest that employees must always be consulted.

NUT calls for 60,000 extra state teachers

FINANCIAL TIMES REPORTER

A NATIONAL agreement on staffing at nearly 30,000 Local Education Authority schools was proposed yesterday by Britain's biggest teachers' union.

A claim, to be submitted to education authority leaders by the National Union of Teachers, lays down minimum class sizes at state schools, and requires a minimum of 60,000 extra teachers.

It would cost around £350m *in addition to the present* national £8,000m education budget.

Mr Doug McAvoy, deputy general secretary of the NUT, outlining the proposal at a London press conference, said yesterday that the cost of the claim—"little more than a pint of beer per week per pupil"—would be well worth while in terms of the benefits it would bring pupils, parents, authorities and teachers.

Under the claim, maximum class sizes, in line with present NUT policy, would be 23 children in infant reception classes, 20 in nursery classes and 27 in primary and secondary schools.

Mr McAvoy called the 60,000 extra teachers a minimum necessary to add to the present teacher force of around 460,000.

Hope of better prospects for farms

OPPORTUNITIES FOR agriculture will be greater as Britain moves out of the recession, provided the country maintains its productivity record and its competitive position, Mr Peter Walker the Minister of Agriculture said at the weekend.

British agriculture had come through the worst recession for half a century, he said and could claim to have done much for the national economy

Naval dock workers ready to be re-deployed

By Our Labour Editor

SHOP STEWARDS at one of the country's biggest defence establishments have said they are prepared to lose their jobs under defence cuts—provided other jobs are found for them.

The stewards, at Rosyth Naval Dockyards in Fife, told Mr John Silkin, the shadow defence spokesman, at the weekend that a future Labour Government must have alternatives to defence work ready on its return to office.

They gave Mr Silkin a document showing that investment in non-defence work created more employment than defence work, and outlining alternative production plans.

Mr Silkin told them: "While we want to get rid of nuclear weaponry, we still want to keep defence jobs in this area." He said the Labour Party and the TUC were working on concrete plans for switching defence jobs into civilian projects.

Think Tank cuts plan opposed by Apex

A WHITE-COLLAR union is to protest to Mrs Thatcher over sweeping changes in public services suggested by the Government's think tank.

The Association of Professional, Executive, Clerical and Computer Staff (Apex) believes the idea would mean its members paying up to £10-a-week more in tax.

According to one weekend report, the proposals could mean a family of four having to pay £600 in health insurance and £950 for each child's school fees.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Financial Times Photography Exhibition (01-248 8000) (until Oct 30)	Stock Exchange
Current	National Bakers' Buying Fair (01-446 2411) (until Sept 21)	Barbican
Sept 21-23	Harrogate Fashion Fair (01-637 2400)	Harrogate
Sept 26-28	British Footwear Fair (01-739 2071)	Olympia
Sept 27-29	Construction Industry International Exhibition and Conference (01-242 3771)	Imperial College, London
Sept 27-Oct 1	Furnaces, Refractories, Heat Treatment and Fuel Economy Exhibition (0737 68611)	NEC, Birmingham
Sept 28-Oct 1	Design Engineering Show and Conference—DES (01-747 3131)	NEC, Birmingham
Sept 28-Oct 6	Good Offices Exhibition (01-631 4547)	Cutlers Gardens, EC2
Sept 28-Oct 1	London Business Show (01-647 1001)	Barbican
Oct 3-5	International Spirits and Liqueurs Trade Fair (0272 215206)	Bristol
Oct 6-8	Fashion Fabrics Exhibition—FABREX (01-385 1200)	Olympia

OVERSEAS TRADE FAIR S AND EXHIBITIONS

Date	Title	Venue
Current	International Autumn Fair (01-486 1951) (until Sept 22)	Zagreb
Sept 21-23	International Exhibition and Conference for the Pharmaceutical, Cosmetics, Toiletry and Allied Industries—INTERPHEX (021 384 3384)	New York
Sept 22-24	International Coal Technology Exhibition and Congress—Europe '82 (010 29 96 55)	Copenhagen
Sept 28-30	International Petroleum Exhibition and Conference OEPC (01-876 2700)	Denver
Sept 30-Oct 7	International Mechanical Handling Equipment Exhibition—INVIA (01-486 1951)	Utrecht
Oct 6-Oct 12	World Fair of Photography, Photo, Cine, Video, Audiovision—PHOTOKINA (01-730 4645)	Cologne
Oct 6-8	Toy and Gift Fair (01-930 7955)	Hong Kong

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Sept 21	Hoare Govett: Financial futures for local authorities seminar (01-353 1090)	Plaisterers' Hall, London
Sept 21-23	Metal Bulletin Congresses: International Aluminum Congress (01-330 4311)	Monte Carlo
Sept 21-22	Lloyd's of London Press: Charter-parties (01-353 1000)	London Press Centre
Sept. 22	Energy and Engineering: the market for engineering equipment systems and services for offshore structures (01-439 9021)	Albany Hotel, Glasgow
Sept 23	SPI: The PIMS programme: applied strategic planning (01-930 5055)	Inter-Continental Hotel
Sept 28	Oyez IBC: Out of the jurisdiction—litigation with an overseas plaintiff or defendant (01-236 4080)	Portman Hotel, W1
Sept 29	Goodfellow Associates: Management of Diving Costs In the '80s (0224 20265)	Holiday Inn, Dyce
Sept 30	CBI: The management of change (01-379 7400)	Centre Point, WC1
Sept 30	IFS: Why are cars so expensive in Britain: causes and consequences (01-828 7545)	Regent Palace Hotel, W1
Oct 1	FPA: Industry North's fire problems (01-248 5222)	Harrogate Conference Centre
Oct 4-7	IFEAT international conference on essential oils and aroma chemicals (01-486 6757)	Royal Garden Hotel, W8
Oct 5-7	Imeche: International conference on diesel engines for cars and light duty vehicles (01-222 7899)	London, SW1
Oct 7-8	The Economist: Can Europe stay in the biotechnology race? (01-839 7000)	Amsterdam
Oct 7-8	DIBC: Sovereign loan rescheduling and other issues in country risk assessment (01-786 1146)	City Conference Centre
Oct 7-8	Xephon: Business Graphics (0628 74922)	Portman Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

THE WEEK IN THE COURTS

Copyright and power over pirates

PIRACY OF video-cassettes has flourished in recent years to the point where copyright-owners are complaining bitterly that the law is woefully inadequate to produce any abatement of a highly-organised criminal enterprise. Apart from one or two minor amendments to the copyright law, the recommendations of the Whitford Committee, which reported in 1977, remain unenacted. A year ago, the Government produced a consultative document but no legislation is in the offing.

It is not at all clear that even the most draconian legislation could put into the hands of law enforcement agencies any more effective powers than have been exercised by private owners of copyright in the civil courts over the last few years. Despite a back-tracking in existing powers by the judges of the Chancery Division, just before the summer vacation, copyright owners have been deploying such powers with some notable successes.

Two types of orders from the courts have been available for some time. The first is the Anton Piller order (named after the case of *Anton Piller KG v. Manufacturing Processes Ltd**), which empowers a copyright-owner to enter a defendant's premises for the purposes of inspection or removal of documents and articles alleged to contain evidence of, for example, copyright infringement. These orders are intended to provide a quick and efficient means to recover articles which infringe, and to discover the sources from which these articles have been supplied and the persons to whom they are distributed—before those concerned have had time to destroy or conceal them.

The essence of the order is surprise. Hence the order is made *ex parte*—that is, at the instance of the copyright-owner, before the persons affected are served with proceedings and can be heard by the court. So long as the copyright-owner can produce clear and compelling evidence of piracy of copyright material, the courts have been prepared to make drastic orders.

The extent of these orders was inhibited by a decision in April, 1981, in *Rank Film Distributors Ltd v Video Information Centre (a firm) and others.*† The House of Lords held that defendants to an *Anton Piller* order were entitled to rely on the privilege against self-incrimination, by refusing either to give disclosure of documents or to answer questions asked of them, because if they were to comply with the orders of that nature, there would be a risk of criminal proceedings against them for conspiracy to defraud.

That was a big blow to the efforts of a copyright-owner to find out who was the primary pirate, and what were the outlets of this flourishing illegal trade. As from January 1 1982, however, the law was reversed. By section 72 of the Supreme Court Act, 1981, the privilege was removed. At the same time, the use of any incriminating statements was barred from criminal proceedings. Armed with this change in the law, the copyright-owners returned to do legal battle with the pirates.

In recent cases in the Chancery courts, defendants have not merely been subjected to orders which authorised entry to premises for the purposes of search and seizure of material which infringed, those who occupied premises but have had to supply information.

The usual form of order has been that the defendant has to answer questions on the service of the order upon him or her, to indicate his or her assets and their source. (In some instances, the defendant was forbidden to tell anyone but his or her lawyer that proceedings were in hand.) The defendant is further ordered to confirm or deny that information by swearing an affidavit to that effect within four days or so of the information having been supplied. Failure to give the information, or the telling of a falsehood, would render the defendant liable to committal for contempt.

Judges have also been using another development by the courts, known as the *Mareva* injunctions — orders against defendants to freeze their assets in their bank accounts and require them not to dispose of their assets except for a limited sum for expenses, until the matter can be fully investigated by the court.

At the end of the last term, defendants were even committed to prison for contempt without having been heard, the court being persuaded by powerful affidavit evidence that there had been a breach of one of its orders. Then, in *Warner Bros Inc v Granby*, Mr Justice Mervyn Davies decided that this was going much too far in the exercise of such powers, without explicit sanction from Parliament. Essential rights of those accused of piracy of copyright material had to be preserved at the point where it was claimed that they were defying *Anton Piller* orders. Apart from rare exceptions, no one should be sent to prison for contempt without an opportunity to defend himself or herself before the court.

An attempt was made to invoke a 1964 precedent, in *Warwick Corporation v Russell*‡, a local authority obtained an injunction *ex parte* to restrain a circus operator from staying on its land and from giving performances there. Although informed of the injunction and warned that disobedience would entail committal to prison, the circus operator gave a performance. He refused to give assurance that he would not hold a further performance, and there were indications that he proposed to hold one. The next day he was served with the order, while the local authority applied *ex parte* for his imprisonment. The judge ruled that, although the court would not normally commit a person to prison for contempt without having heard him, it had power to do so. Because the breach of the injunction was flagrant, and a further breach was threatened, he was committed to prison. That decision has been rarely invoked since.

The reluctance of Mr Justice Mervyn Davies to extend that precedent to the pirates of copyright material was adopted by his fellow judges, who were no longer prepared to accommodate copyright-owners to such an extreme extent, although they sympathised with the predicament which film companies and others faced. At least until the Court of Appeal has heard full argument on such powers being exercised, there is likely to be a lull in such proceedings against pirates.

If the higher courts do not sanction these drastic powers, the pressure on the legislature will increase. But the Government appears unready to legislate, although the absence of new laws is costing film companies many millions of pounds.

* [1976] Ch.55; † [1982] A.C. 380; ‡ [1964] 2 All E.R. 337.

Justinian

RACING

BY DOMINIC WIGAN

WOULD-BE supporters of the Arc de Triomphe favourite Assert should wait until the day of the race before betting, despite the strong claims of Saturday's Joe McGrath memorial winner at Leopardstown.

Rarely, if ever, is the ground in Paris anything but extremely yielding or heavy on the first Sunday in October, and under those conditions the 5-1 available on the David O'Brien colt would not be particularly generous.

The Irish Sweeps Derby winner triumphed on almost perfect ground when French racegoers saw him beat a slightly sub-standard field in their Derby, the Prix du Jockey Club, back in early June, and in all his other races bar the Irish Derby, run on slightly yielding ground, he has had good or fast going.

I have no doubt that if wet conditions seem likely at Longchamp, O'Brien will get Robert Sangster to agree to switch Assert for an alternative finale in the Dubai Champion Stakes at Newmarket. Even if the going is no worse than soft by our criteria, or good by French assessment, I would not care to bet on Assert staying the full 1½ miles in what is almost invariably a fast-run face from the outset.

Latest Prix de l'Arc de Triomphe odds read: 5-1 Assert, 8-1 Harbour and Ardross, 10-1 Glint Of Gold, Bikala and All Along, 12-1 April Run and Kalaglow, 20-1 Akiyda, Bon Sang, and Touching Wood, and 25-1 Critique, Grease and Lancastrian.

Today, it would seem folly to oppose Silk Screen in Bath's closing event, the Sherston Stakes. Last time out, the West Ilsley runner might well have caught Fitzpatrick in Salisbury's 1¼-mile Manton Stakes but for losing ground through racing wide for most of the race.

Fitzpatrick showed tremendous courage in winning Saturday's Coral Autumn Cup, and unless Silk Screen has deteriorated out of all recognition, today's race should be a formality.

A little earlier in the afternoon at Ayr, Golden Green should gain his revenge on Hello Cuddles for a narrow failure at Chepstow, where the two sprinters were separated by Sano.

BATH
2.00—Rollin Hand
2.30—Rumz
3.00—Shiplake
4.00—Royal Kingdom**
4.30—Silk Screen*

EDINBURGH
3.15—Golden Green***

TELEVISION

Chris Dunkley: Tonight's Choice

The difficulty tonight is in deciding what not to watch. ITV's domestic sitcom Tom, Dick and Harriet (a married couple landed with the husband's recently widowed and hectically randy father) is much funnier than most of the genre; moreover it features Brigit Forsyth who was so superb as the awful Thelma in "The Likely Lads."

But that clashes with Panorama on BBC-1 which looks at the SDP/Liberal Alliance now one year old and crying out for proper analysis on television. Yet I shan't be watching either since Alec Guinness returns to BBC-2 at 8.00 in Smiley's People, a further story in John le Carré's esoteric yet laid-back world of the secret service which was brought to television with such success in "Tinker, Tailor Soldier Spy." Jonathan Dimbleby will just have to say his ITV piece about Hungary and Austria in The Cold War Game on to my VCR for playback later.

Smiley's People is followed on BBC-2 by There's A Lot Of It About, the first in a six-part series by and with Spike Milligan. His television work is deeply inconsistent, but for me the inspired moments more than counterbalance the bathos and the indulgence.

At 9.25 comes another clash between BBC-1's play The White Guard (3½ hours on the revolution from the White Russian side) and BBC-2's Hypnosis which tonight studies hypnotic pain control.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.10 For Schools, Colleges. 10.00 You and Me. 10.15 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Postman Pat. 2.01-3.00 For Schools, Colleges. 3.35 Regional News for England (except London). 3.55 Play School. 4.20 Puzzle Trail. 4.35 The New Shmoo. 4.55 Newsround with Paul McDowell. 5.05 Blue Peter. 5.35 Willo The Wisp.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.55 Angels.
7.20 The Wonderful World of Disney: "The Young Runaways"—first of two parts.
8.10 Panorama: "The Uneasy Alliance"—between the Liberals and the Social Democrats.
9.00 News.
9.25 Play of the month: "The White Guard," starring Michael Pennington, Nigel Havers, Laura Davenport, John Shrapnel, Nicholas Farrell and Charles Kay.
11.55-12.00 News Headlines.

BBC 2

6.40-7.55 am Open University.
11.00-11.25 Play School.
5.10 pm Shorefields School.
†5.35 Nyoka And The Tigermen.
5.50 Cosmos.
6.45 Madhur Jaffrey's Indian Cookery.
7.10 News Summary.
7.15 The Two Ronnies.
8.00 Alec Guinness in "Smiley's People."
9.00 There's a Lot of It About.
9.30 Hypnosis.
10.25 Championship Darts.
10.45 Newsnight.
11.30 Darts (further coverage).

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Mind One. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Turning Point. 2.00 Cabbages and Kings. 2.30 Monday Matinee: Sidney Poitier and Richard Widmark in "The Bedford Incident." 4.15 Dangermouse. 4.20 Hold Tight! 4.45 Two-way Ticket. 5.15 Private Benjamin.
5.45 News.
6.00 Thames News with Andrew Gardner, Rita Carter.
6.25 Help!—Community action with Viv Taylor Gee.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Tom, Dick and Harriet.
8.30 Jonathan Dimbleby in Evidence: The Cold War Game.
9.00 Quincy.
10.00 News.
10.30 "The Power And The Passion," starring Vince Edwards, Desi Arnaz Jr. and Trisha Noble.
12.20 am Close: Sit Up and Listen with Michael Hordern.
† Indicates programme in black and white.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. †2.00 Monday Film Matinee: San Francisco, starring Clarke Gable, Jeanette MacDonald and Spencer Tracy. 5.15 Diff'rent Strokes. 6.00 About Anglia. 6.30 Benson. 10.30 Anglia Reports Special. 11.00 Thriller. 12.25 am Personal View.

BORDER

1.20 pm Border News. †2.00 Matinee: "How Green Was My Valley," starring Walter Pidgeon and Maureen O'Hara. 6.00 Lookaround Monday. 6.15 Cooking with Tovey. 6.30 Try for Ten with Derek Batey and Linda Lewis. 10.30 Gangster Chronicles. 12.15 am Border News Summary.

CENTRAL

1.20 pm Central News. †2.00 Monday Screen Matinee: "The Wrong Arm Of The Law," starring Peter Sellers, Lionel Jeffries and Bernard Cribbens. 3.45 The New Accelerators. 5.15 Survival. 6.00 Central News. 9.00 Minder. 10.30 Professional Boxing introduced by Gary Newbon. 11.00 Central News. 11.05 Lou Grant. 12.05 am Come Close.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.00 The Monday Matinee: "Connecting Rooms." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 Happy Days. 9.00 Magnum. 10.28 Channel Late News. 10.35 Aujourd'Hui en France. 10.40 Late Night Film: "That Cold Day in the Park." 12.35 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Monday Matinee: "Conspiracy of Hearts," starring Lilli Palmer, Sylvia Syms and Yvonne Mitchell. 4.00 The Pet Show. 5.15 Survival. 6.00 North Tonight. 6.30 Close Encounters. 9.00 Minder. 10.30 Monday Movie: "Bluebeard," starring Richard Burton. 12.40 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Weir's Aweigh. 2.30 Monday Matinee: Nancy Kwan in "That Lady From Peking." 5.15 Sale of the Century. 6.00 Diff'rent Strokes. 6.30 Granada Reports. 9.00 Minder. 10.30 The Gangster Chronicles.

HTV

1.20 pm HTV News. †2.00 Monday Matinee: "Hungry Hill," starring Margaret Lockwood, Dennis Price and Cecil Parker. 3.45 Survival. 5.15 Welcome Back Kotter. 6.00 HTV News. 9.00 Minder. 10.28 HTV News. 10.30 The Monday Mystery: "Death In Deep Water."

HTV Cymru/Wales—As HTV West except: 9.47-10.02 am About Wales—Places. 12.00-12.10 pm Ffalabalam. 4.15 Cartoon. 4.20 On Safari. 4.45-5.15 Sêr. 6.00 Newyddion. 6.05 Report Wales. 6.30-7.00 Happy Days.

SCOTTISH

1.20 pm Scottish News. 2.00 Survival. 2.30 Comedy matinee: In The Doghouse. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crime Desk. 9.00 Hill Street Blues. 10.30 Late Call. 10.35 Tales Of Horror and Suspense.

TSW

1.20 pm TSW News Headlines. 2.00 Feature Film: "Connecting Rooms," starring Bette Davis and Michael Redgrave. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 Happy Days. 9.00 Magnum. 10.32 TSW Late News. 10.35 Postscript. 10.40 Feature Film: "That Cold Day In The Park," starring Sandy Dennis. 12.35 am South West Weather.

TVS

1.20 pm TVS News. 2.00 "The World Of Suzie Wong," starring Nancy Kwan and William Holden. 5.15 Survival. 6.00 Coast to Coast. 10.30 This Sporting Summer: Derek Bell—racing driver. 11.00 Thriller: "In The Steps Of A Dead Man." 12.25 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 The Story of Wine—The Great Clarets. 2.30 Monday Matinee—"The 39 Steps," starring Kenneth More. 5.15 The New Fred and Barney Show. 6.00 North East News. 6.02 Looks Familiar. 6.30 Northern Life. 9.00 Minder. 10.30 North East News. 10.32 Briefing—presented by Ian Breach. 11.15 House Calls. 11.45 The Folk Festival of the North. 12.15 am Sure and Steadfast.

ULSTER

1.20 pm Lunchtime. †2.00 Monday Matinee: "A Tale of Two Cities," starring Dirk Bogarde, Cecil Parker, Dorothy Tutin and Christopher Lee. 4.13 Ulster News. 5.15 Film Fun with Derek Griffiths. 6.00 Good Evening, Ulster. 6.30 Lifestyle. 10.28 Ulster Weather. 10.30 Abba: Words and Music. 11.00 Facing Death. 11.30 News at Bedtime.

YORKSHIRE

1.20 pm Calendar News. 2.00 Monday Matinee: "The World of Suzie Wong," starring William Holden and Nancy Kwan. 5.15 The Two of Us. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 10.30 Minder. 11.30 The Leeds Folk Festival.

RADIO

(S) Stereo (when broadcast on VHF)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Peter Marshall (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 The Name's the Game. 10.30 Can You Hear Me Mother? 11.00 Pete Clayton presents Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Ravel (S). 10.00 Berlin Philharmonic Orchestra (S). 11.00 Berkeley and Poulenc (S). 12.00 English Concert (S). 1.00 pm News. 1.05 Schubert piano duet recital (S). 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Music for Organ (S). 7.00 The Composer Conducts Andrzej Panufnik (S). 8.15 A Myth for the Whole of Europe (S). 9.15 Wagner: "Siegfried," Act 3, performed by soloists and the Chicago SO conducted by Solti (S). 10.40 In a Nutshell. 10.45 Jazz in Britain: Harry Miller Quintet (S). 11.15-11.18 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.43 The Second Meadow by Archie Hill. 8.57 Weather, travel, Continental travel. 9.00 News. 9.05 Start the Week with Richard Baker (S). 10.00 News. 10.02 A Small Country Living. 10.30 Morning Story. 10.45 Daily Service (S). 11.00 News. 11.03 Down Your Way visits Maidenhead in Berkshire. 11.48 Speak Out! 12.00 News. 12.02 pm You and Yours. 12.27 Radio Active (S). 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.30 A Breath of Fresh Air. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S). 8.00 The Monday Play: "Home" by David Storey. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night. 12.00 News.

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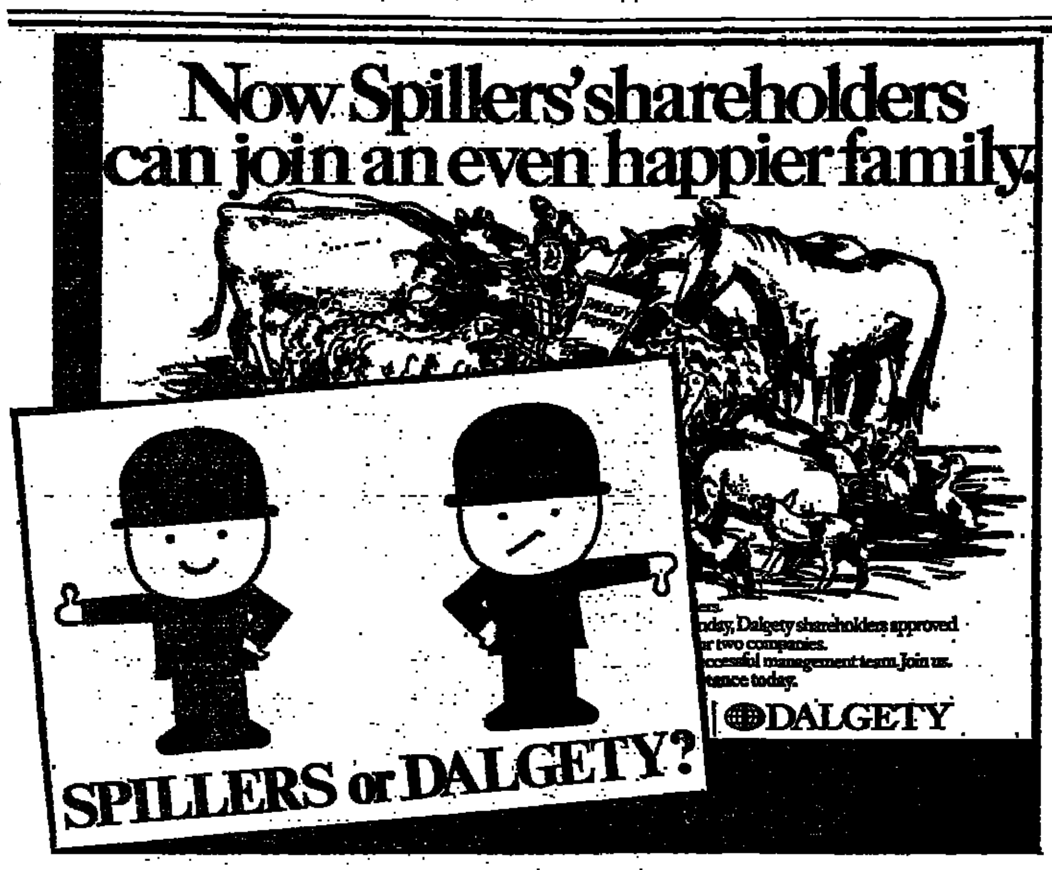
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Weapons in the dogfight—cartoon propaganda from each side

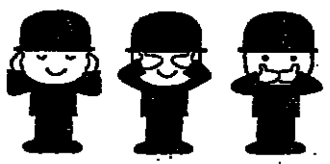
How Spillers tried to win the war

Arnold Kransdorff on the way opinion polls were used to fight a classic takeover

HAVING fought the good fight Tony Spalding is a humble but wiser man.

Three years ago he was on the losing side of one of Britain's most bitter takeover battles in recent times. As a veteran of the clash he admits it is easy to look back and suggest what should have been done to avoid defeat. But even with the luxury of hindsight he is not so sure that the outcome would have been any different—all he can say is that the experience has confirmed for him the advantages of employing a little-used technique to help direct a defensive strategy.

Spalding's former employer was Spillers, the flour, petfood and restaurants group which, for a period of eight weeks in the summer and autumn of 1979, found itself trying to fight off the predatory advances of Dalgety, the international agricultural and food business.



In the event it became one of the classic contested takeover battles of recent years, and caught the public imagination with Spillers' use of Fred, its cartoon flour grader, in all its advertisements.

From Dalgety's point of view, the timing of the bid was exemplary; Spillers was still reeling from the effects of pulling out of bread baking and cutting its dividend the previous spring.

Although the outcome went against Spillers, the battle was never a foregone conclusion. It was the tactics of attrition that eventually won Dalgety the day after what was certainly a spirited defence.

In conducting that defence, Spillers took the unusual step of turning to an opinion pollster to find out what its shareholders were thinking. Spillers reasoned — not unfairly, although perhaps too late in the day—that its small shareholders were going to be crucial to the outcome of the battle.

Like most companies, it knew virtually nothing about its shareholders, of which there were an inordinate number. For all it knew, the company's owners could all have held their shares for only a short period, so there would—theoretically—be very few reserves on the loyalty front.

In the event the shareholder research revealed that two thirds of small shareholders had held Spillers' shares for five years or more — information which management chose to interpret as loyalty. Other companies have learned to their cost that this is an extremely naive position to take; indeed, Spalding admits this and suggests that this so-called loyalty was probably no more than inertia—and the company's policy of deliberately making shareholders more aware of the bid could have been the football equivalent of an "own goal."

This finding was just one item of information—or disinformation, as it perhaps was—that Spillers discovered it had in its armoury.

In retrospect Spalding says—to his regret — that the company neglected to use its full firepower, but he still thinks that Spillers deserves a few campaign medals for tactical originality born out of the shareholder research.

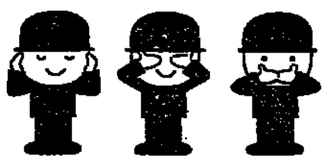
Such research is still unusual in the UK.

This is not too difficult to understand, despite the fact that private shareholders are still the lifeblood of much of industry.

In the first place their numbers and the significance of their shareholdings in companies have been declining for many years in favour of the large, institutional shareholder. And while the latter has also, more recently, become more voluble private shareholders have mostly kept a low profile (as evidenced by their lack of visibility at annual meetings) and managements have consequently downgraded their importance.

This is exactly what happened at Spillers. In the days following the announcement of the bid, when a defence strategy was being formulated, Spillers management only realised the significance of its shareholder profile when it discovered that nearly three quarters of its shares were held by 34,000 small shareholders.

Of particular concern was that management knew little more than their probable marital status, sex and address—facts that could be extracted from the share register.



The company had no idea, for example, what newspapers they read. Without this information any planned advertising campaign could easily be misdirected.

With this realisation, Spalding, who had only recently been recruited from Wilkinson Match as Spillers' director of public relations and communications, approached Market and Opinion Research International (MORI), whose managing director, Bob Worcester, he knew.

Spalding wanted to know how best to communicate with Spillers' shareholders, given that the company was prepared to embark on a substantial advertising campaign and that newspapers of The Times group were not being published. Management reasoned that if it could gets its arguments across through editorial and advertising columns, shareholders would remain loyal and Dalgety would have a tough fight.

Worcester replied that such information was readily accessible through normal polling techniques and asked Spalding if, in the process, he might ask a number of other questions. Worcester saw the exercise as an ideal opportunity to learn a lot more about Spillers shareholders than their reading habits.

In a short time Spalding and Worcester had formulated a list of about 25 questions to cover factors such as awareness of the bid, intentions with regard to shareholdings and the impact of communications from both sides. "From then on we suddenly realised we had a potential tool on our hands," says Spalding.

Although Spillers had access to—and frequently took—the advice of its financial advisers and brokers, a remarkably large number of tactical decisions were based on MORI's research. Over the eight-week period of the bid, nearly 700 small shareholders were interviewed in four separate telephone surveys—all conducted in the evenings or at weekends in the hope that respondents were at home.

In total the exercise cost Spillers a mere £7,500. On advertising alone, the company spent around £300,000 to Dalgety's £150,000.

Spalding believes this MORI expenditure was recouped many times over just by targeting advertisements to most effective use.

For Spalding, who subsequently joined Dalgety as group executive, public relations, and has just joined Sea Containers as director of communications, the experience opened up a new door in the field of corporate communications.

His only regret is that the type of information thrown up by MORI's polls was not available earlier.

"Spillers had always thought that its great strength in a takeover would be the massive number of small shareholders. As things turned out those shareholders proved to be its Achilles heel.

"It is arguable that had Dalgety waited another year, or even six months, Spillers would have been in a stronger financial shape to fight the battle. But the absence of a conscious attempt to win the support of the small shareholder in advance of an unwanted bid would almost certainly have ensured a similar result."

The lesson for others is clear enough. It is essential to understand shareholders' motivations and feelings towards their companies, and to put this information to good and timely use.

Small shareholders should not be taken for granted.

The chronology of doom

MORI'S first survey for Spillers was carried out a few days before Dalgety sent out the formal bid documents, during the "cold war" period when both sides were mustering their forces.

By this time the bid was two weeks old and Dalgety had suffered an early psychological blow when Alfred Singer, its highly-respected non-executive director and a former chairman of the Post Office Pension Fund, resigned, saying the acquisition was too risky.

Spillers had written hurriedly to shareholders and employees telling them not to take any action. An advertisement to that effect had also been placed in the Financial Times, the Daily Telegraph and the Daily Mail.

It also lost ground when Lazards, Dalgety's bankers, bought slightly more than 12 per cent of Spillers shares in the market "on its own account."

As far as Spillers was concerned, the battleground still looked defensible. It was this opinion that needed to be confirmed in MORI's first poll.

In a way it was, although the poll's summation also contained evidence that all was not well in the Spillers camp. On the ground Spillers management took the optimistic view that there was still a fight left to fight. "In such circumstances you can't not fight," says Spalding.

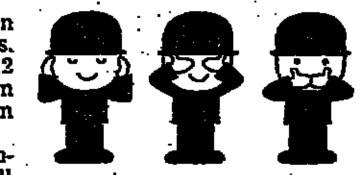
As it happened, MORI's questions were probably not precise enough in the early stages of the bid to give a clear picture of which way shareholders were likely to jump, or to explain the discrepancy between certain shareholder reactions.

The questions became more probing in the later surveys but by then it was too late to take the action which might have been more effective at an earlier stage.

In essence MORI found there was a high level of dissatisfaction (34 per cent) among shareholders towards the company's dividend and share price record. In spite of this, a majority had held their shares for five years or more and only a few—10 per cent—had accepted Dalgety's offer.

To get an indication of when their resolve would break, MORI asked shareholders if they thought Dalgety would increase its offer and at what price they would eventually sell.

Behind these questions was an attempt to gauge shareholders' loyalty and to measure their expectations of the bid. Their replies would also indicate whether or not they believed the resolve of Dalgety not to increase the offer and Spillers not to accept. What was perhaps not investigated fully is which side's arguments were more credible.



Their responses indicated a high expectation that Dalgety would increase its offer. From that, Spillers concluded that its shareholders would not sell, at least in the short term.

The replies also suggested that Spillers would eventually recommend acceptance of a bid.

As a result, all mailings and advertisements from then on concentrated on emphasing the firmness of opposition.

MORI's research also came up with the information that while most shareholders knew there was a bid going on, few could actually identify the party or even the value of the offer.

Spalding says that this helped confirm Spiller's strategy of putting over a simple rejection message. It also suggested that there was no need for Spillers to do Dalgety's job of informing shareholders of the value of the bid but that it was important to convey the impression that the offer was "derisory" or that it "under-valued the company."

Shareholders were also asked from whom they would prefer advice to come. The replies suggested that the chairman, Michael Vernon, was preferable to the "directors" or a "stockbroker."

As a result, the chairman was given prominence in all interviews, statements and advertisements.

On the question of readership habits, the survey emphasised the importance of the Daily Telegraph, the Financial Times and the Daily Mail. These newspapers were, inevitably, put on the media schedule but Spillers also included The Guardian and The Observer.

MORI's second survey, with virtually the same questions, was done four days later. By then shareholders had just received Dalgety's formal offer in the post and the "enemy" had continued to increase its share stake in Spillers by a few undisclosed percentage points.

This was just before the first heavy bombardment of Spillers' advertisements using Fred, the flour grader, to emphasise the company's opposition to the bid.

In general, the findings were broadly in line with the first survey, with a few key shifts. A higher proportion of shareholders believed both that Dalgety would increase its offer and Spillers would eventually recommend acceptance.

The importance of the chairman's endorsement had declined but management still thought it important enough to keep his message in high profile.

In spite of mailings and advertisements at that stage a high proportion (33 per cent) of shareholders still did not know of the company's position. From management's point of view this meant that the message "had to be plugged away at."

By the time the next survey was held 11 days later—over a weekend—the flak was really flying.

In its first salvo on the advertising front, Dalgety said it had a "soft spot" for Fred and intended to "build him up just like the rest of our family." Spillers fired back doubting Dalgety's claim to be "builders not strippers."

Spillers had also just coupled an uninspiring annual profits forecast with the promise of an increased dividend payout.

Spillers considered this period crucial for two reasons. The weekend was the traditional time for shareholders to make their investment decisions and the Dalgety offer was due to close in less than a week.

MORI's findings were not particularly encouraging. Although nine out of 10 shareholders still held their shares, more than half said they still had to make a decision and about 30 per cent of them said that they were inclined to accept the offer. Additionally, 14 per cent said they would definitely accept Dalgety's overtures.

"Although the poll indicated that we were losing shares we were still not convinced that we had lost," recalls Spalding. "We thought we were still worth fighting for."

The poll also showed that awareness of the bid was now almost universal but—surprisingly — a third of shareholders still did not know Spillers' position. A large proportion thought that Dalgety would still increase its bid, which probably explains the events of the following week.

Dalgety had to extend the offer by 10 days after having received acceptances which put its total stake at less than 30 per cent. To Spillers, the war was clearly not lost. In fact, the offer had to be extended a second and last time because Dalgety's "take" had only reached 37 per cent.

"By then both sides were going hammer and tongs at each other and newspapers were coming down firmly on one side or another," recalls Spalding. "Clearly Dalgety was heading for victory but we weren't going to concede. We had to put a brave face on it."

On October 12 Dalgety announced that, after forays in the market and acceptances, it controlled 51 per cent of Spillers' shares, thus bringing the battle to an end.

TECHNOLOGY

EDITED BY ALAN CANE

Government decision opens up tremendous opportunities for equipment manufacturers

DHSS benefits from £700m computerisation

BY ELAINE WILLIAMS

THE GOVERNMENT'S decision to spend £700m to computerise the social security operations will open up tremendous opportunities for equipment manufacturers.

A shopping list of 70 large computers, 3,000 microcomputers and 30,000 computer terminals were outlined in the Government Green Paper last Wednesday.

But with the rather salutary experience of the computerisation of driving licences at Swansea behind it, the Government is likely to be more critical of both the equipment and the implementation of the Department of Health and Social Security department system.

After all, it will be the largest investment of its kind in the UK and will take at least 15 years to complete.

The scale of the social security operations is enormous. Payments of £27bn are made to 24m claimants. Administration costs are £1.4bn and it takes 117,000 staff to handle the paperwork.

To avoid problems with implementing such a major scheme, the DHSS has identified 14 major projects which allow computerisation to be phased in.

The DHSS has been at pains to point out that the scheme is simply an outline — and the details are likely to alter because of the change in technology during the long introductory time scale.

The size of the information data base is staggering — it would take 115,000 copies of the FT to store it all.

The social security network will be made up of three tiers rather like the layers of a cake. At the top is the central index — a large computer system housed under one roof. This will contain all the personal files of claimants.

Already most of the working population have their files stored on the existing computer system at Newcastle which keeps all national insurance contribution records.

The size of the information data base is staggering. It would need to store the equivalent of 115,000 copies of the Financial Times to handle the complete operations.

The heart of the Government's new strategy is a system of linked area computers. Their main job would be to support the local offices by holding personal records, processing claims and making payments.

At the moment, the intention is to instal seven area computers beginning in 1986 with the last one operating four years later.

These computers will also duplicate the personal files stored on the main index for those claimants living in the region so that staff have quick access to relevant information.

This duplication does not mean that anyone will have the opportunity to look at personal files. On the contrary, security will be built into the network and there will be less duplication of files. With today's mainly manual system, up to five copies of the same information are kept.

The lowest part of the tier is the local office. The government wants to instal microcomputers—3,000 in all—in these offices to help in the assessment and payment of benefits.

It is a difficult task for the already over stretched staff which have to work out which of the 30 different types of benefit should be paid out. Staff have to refer to 100 different instruction manuals. Eventually part of these instructions will be on the computer system.

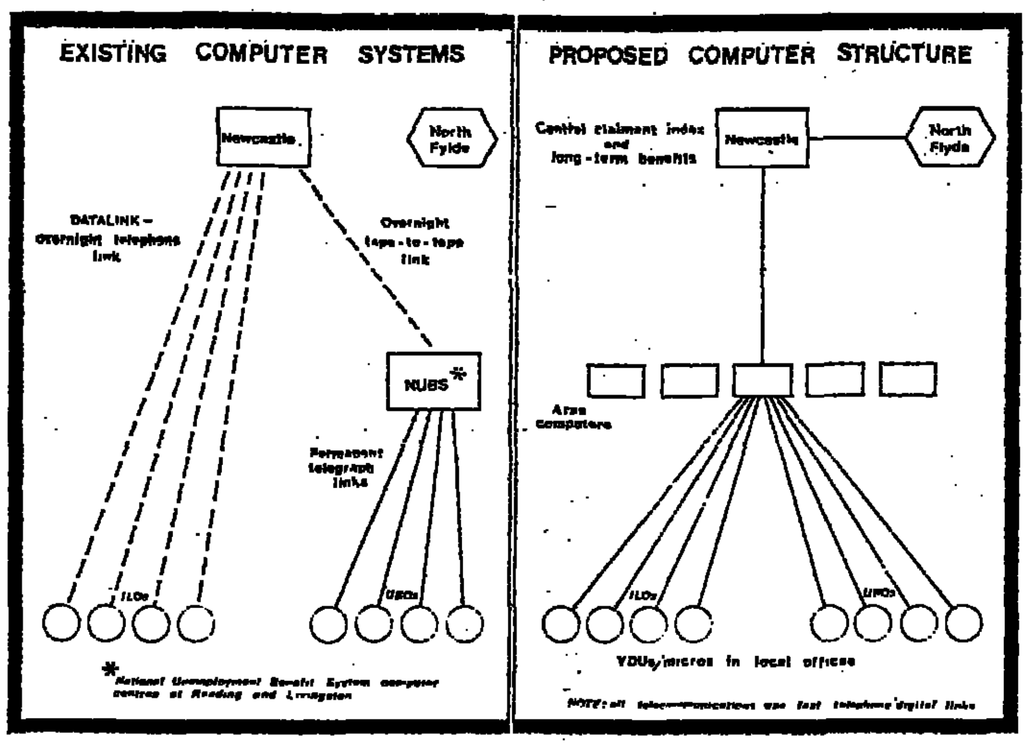
The Government believes that there is an urgent need to computerise local office procedures and will begin its plan by ordering microcomputers—probably from several different manufacturers next year.

The new scheme will have to integrate those benefits such as pensions and child benefits which are already computerised.

For example, two computers—at Reading and Livingston—are linked to unemployment offices to pay benefits to the unemployed. As well as the computer at Newcastle for national insurance, another system at North Flyde pays war pensions and various disablement benefits.

A major factor in the success of the computerisation plan is a good reliable telecommunications network to provide the links.

In its consultative document the Government says that the network should provide all forms of data from computer to voice communications. It hints that it will opt for total digital telecommunications network.



Controller

Input energy

A MOTOR input energy controller based on principles first exploited by NASA and further developed for industrial applications by a team at Sussex University under Dr Peter Unsworth, is being marketed under an NRDC licence by Delta Technical services.

Known as the ME 5000, the unit can be matched to three phase induction motors having outputs from 5 hp. Depending on type and duty, pay back periods of two years can be achieved as a result of lower electricity bills.

The company claims that there are 50m induction motors in the UK alone and that 30 to 40 per cent of the power they consume is wasted. This is said to be because most motors are oversized initially and for various plant reasons do not run at constant full load output where they are most efficient.

The device saves energy by sensing the power factor of the motor and then adjusting the input power to that required to meet the load. More on 0705 697321.

Transmission

Plessey storage

A COMPUTER controlled transmission storage system based on Plessey microcircuits has been used in a marine radio receiver from Wetherwatch of Fordingbridge, Hampshire, that is able to receive and store schedule radio transmissions for later playback.

The unit should prove useful to yachtsmen trying to keep up to date with the latest meteorological information. Instead of keeping on watch by the radio, they can come back to it at a convenient moment to be updated.

Known as the DBE606, the unit can accept single or double sideband amplitude modulated signals without any adjustment when the mode changes. It is designed round seven off-the-shelf integrated circuits and can decode signals from 100kHz to 4.5MHz. More on 0725 20386.

Night vision

Swiss goggles

"BIG 2" is a new set of night vision goggles from Swiss company Wild Heerburg. The goggles employ an image intensifier tube to amplify naturally occuring residual light. The instrument weighs 720g and has a built in LED light source for close work, for example map reading at night. It can be powered by a disposable or rechargeable battery. UK office is at Revenge Road, Lordswood, Chatham, Kent (0634 64471).

Newsagents

Back room computers

THE ADMINISTRATION of newsagents' delivery rounds and the customers' accounts is recognised in the trade as being something of headache and recently UCLS Microsystems, the Unilever company, developed a system for putting it all on to a small computer in "the back room."

Known as Courier, it gets over the problems of keeping accurate accounts when customers cancel or make changes to their order, go on holiday, get sent the wrong newspaper and so on.

Microsystems says that the system is designed specifically for easy use by newsagents. Prompts and messages on the display screen guide the user through all the functions he selects — and the functions are easily identified by coloured and engraved keys, each corresponding to a normal manual task such as amending a customer's order or taking payment for an account.

Courier prints out round lists for morning, evening or Sunday rounds, accepts goods received from wholesalers, designates customers as "delivery" or "shop-save," allows stop/start dates to be set up in advance.

Many variants are allowed for — for example, counter sales can be quickly charged to the customer's account. More on 04427 71741.

Ariane failure

Turbopump fault

THE European Space Agency says that after a first assessment of telemetry and radar data the failure of the Ariane L5 launch was due to a drop in turbine speed followed by a drop in combustion chamber pressure of the third stage engine. Pressure dropped progressively from 32 bars to zero indicating a failure of the turbopump. ESA says that the volume and quality of data should permit experts in Europe to draw a precise conclusion very shortly.

Measuring

Digital multimeter

A DIGITAL multimeter intended for high precision measurements is being launched by Datron, Norwich. The 1081 is a 6½/7½ digit multimeter which has long-term stability and is designed to meet Standards Laboratory requirements. More information is available on 0603 404824.

Machine tools

Belgium metal guillotines now available in UK

NOW available in the UK is a range of Belgian made hydraulic guillotine machines, suitable for stainless steel, equipped with reversible four-edged cutting blades and rated from 4.5mm to 6mm thickness, maximum cut lengths to 6,000mm and with cutting rates up to 66 cuts/min.

The Haco HS consists of 31 models all provided with variable rake, blade gap adjustment, cutting line illumination, back gauge, squaring arm and provision for automatic cycling.

Optional extras include a programmable back gauge, magnetic or pneumatic plate supports and automatic stacking facilities for cut strips.

Haco in the UK is represented by Warwick Machine Tools, Wedgnock Industrial Estate, Rothwel Road, Warwick (0926 497806).

FINANCIAL TIMES SURVEY

Monday September 20, 1982

Luxembourg

The Grand Duchy's phenomenal development during the past 15 years into a pre-eminent "offshore" banking centre, handling about a fifth of the global $1,500bn-a-year Euromarket, is by now a familiar story. But Luxembourg today faces an array of difficulties that threaten to combine into a crisis, unless each is carefully defused

Problems for EEC's smallest state

BY GILES MERRITT

THE EVEN tenor of Luxembourg life has been rudely shattered several times so far this year.

As a result — and significantly late in the day by the standards of most countries in recession-torn Europe — the *calm and prosperity of the* Grand Duchy has been disrupted by a series of events that have dragged the EEC's smallest member-state into the economic maelstrom of the 1980s.

Although it went largely unreported, the event that arguably most disturbed Luxembourg's equanimity was the sudden general strike last spring that ended an era of peaceful and co-operative labour relations. It has long been Luxembourg's proud boast that there has been no peacetime industrial action since 1921, but the Government's abolition in March of automatic wage indexation as a key element in its new economic austerity drive provoked a 24-hour stoppage on April 5 that brought to an end some 60 years of "partnership" between the seven leading trades unions, the employers and the Government.

That rare unruliness may prove to be an ill augury for Luxembourg, for although the Grand Duchy is doing comparatively well in its attempts to attract new foreign industrial investment, its traditional industrial base is still its steel industry. The future for Luxembourg's giant Arbed steelmaker looks increasingly grim, despite the company's deserved reputation as a redoubtable crisis manager. The fear is that serious strains could begin to *sour Luxembourg's social climate.*

On the other hand, Luxembourg noted with some relief that the strikers themselves were not merely taken aback by their own temerity but also tended to view their use of the strike weapon as a somewhat "negative" experience when compared with the usual process of reaching a satisfactory consensus. It may well be that now Luxembourg is in crisis it will set an example on how to tackle problems co-operatively.

There is no question that Luxembourg *now faces an array* of difficulties that threaten to combine into a crisis unless each is carefully defused. It is also characteristic of Luxembourg, with its population of only 364,000, that these problems range from the large international scale of, say, transatlantic trading relations or stagnancy of the international capital market right across the spectrum to the possible closure of a local enterprise such as a country restaurant that would damage the local village economy.

The mixture of international pre-occupations vying for political attention with parish pump matters is unusual. It is also one of the strengths of Luxembourg's Christian, staunchly Roman Catholic, style of conservatism that politics seldom centre on abstract issues because in such a small country people inevitably dominate the foreground.

That said, the Grand Duchy's problems today have an all too recognisable similarity to those of the major industrial countries. Inflation has shot from its low average of 6.3 per cent in 1970-79 (when it compared very favourably with the EEC's average of 8.8 per cent) to a likely 10 per cent both this year and in 1983. Unemployment at around 3-4 per cent is still minimal, despite a 30 per cent cutback since 1974 in steel jobs, but the surge of 45 per cent in the jobless figures has nevertheless made the safeguarding of employment a crucial new issue.

At the same time Luxembourg is also now revealed as suffering from the same disease of declining international competitiveness as the Common Market as a whole—1981 saw a record visible trade deficit of LuxFr 23bn when for the sixth year in succession the trade balance deteriorated.

Yet Luxembourg remains an outstanding example of the way mere statistics can so easily distort the picture. It could be said that since 1979 the Grand Duchy has fallen prey to the pattern of Government budget deficits after having long been the land of the balanced budget. The reality, though, is still an enviable one.

Luxembourg still has no external debt and its domestic borrowing requirement is equivalent to only 1.9 per cent of Gross Domestic Product (GDP). In 1981 the deficit to be financed had risen to LuxFr 3.8bn, or 3.3 per cent of GDP, and earlier this year it looked as if that trend would deteriorate sharply when Government spending proposals pointed to a LuxFr 6.5bn deficit for 1983. In the event, however, cutbacks on spending pared that deficit down to only LuxFr 400m. To that must be added a LuxFr 2bn loan that the Government regularly floats, but it is still a far cry from neighbouring Belgium's 1981 and 1982 public sector borrowing requirements of over 16 per cent of GNP.

Major factor

If Belgium's difficulties were only a worry to the Belgian authorities, though, Luxembourg would be well pleased. As it is, the Belgian dimension is a major factor in the Grand Duchy's economic woes. Belgium's unilateral devaluation on February 22 last of the two countries' linked currencies by 8½ per cent not only hit Luxembourg hard but also triggered an urgent reappraisal by Luxembourg of the monetary union that has existed since 1922.

The stern deflationary measures cutting Luxembourg's real incomes this year that precipitated the unwonted general strike were almost entirely in response to the devaluation. Luxembourg calculated that the devaluation would otherwise have the effect of pushing the Grand Duchy's inflation rate, thanks to its heavy reliance on imported—notably German—goods, to an alarming 12.5-13 per cent this year. More fundamentally, the Belgian Government's abandonment of its long-held policy of resisting devaluation made it plain to Luxembourg that the traditional economic partnership is increasingly a marriage of two divergent economies. Belgium's economy is now so hard-hit that Kredietbank, the thrusting Flemish No 2 clearing bank, recently described it as "touch and go," while Luxembourg's is still resilient.

Whatever the next few years hold in store—assert Luxembourgeois politicians like Paul Helminger, the Secretary of State who is No. 2 at the Foreign Affairs Ministry — the Grand Duchy will remain "a good deal better off than neighbouring countries." It is a polite and elliptical way of pointing out that Luxembourg's anxiety is nowadays that it may well be dragged down by Belgium's increasing economic decline.

The fact remains that Luxembourg's options are extremely limited. Had it refused to go along with Belgium's devaluation, for instance, it is quite possible that because of their substantial Belgian franc holdings the six major Luxembourg banks would have found themselves in a critical position.

More to the point, perhaps, Luxembourg can scarcely dare to operate its own independent currency for fear that speculative pressures would wipe it out. Nor can it easily hitch its money to the coat-tails of some other European currency. Neither the Netherlands nor West Germany is keen to see the Luxembourg franc grafted on to its currency and an idea inside Luxembourg whereby the Grand Duchy would take a leaf out of Austria's book and unilaterally peg its currency to the D-mark was torpedoed apparently by Luxembourg's own delicate politics.

The political party that represents World War II forced labour deportees and those people who were *"enrolé de force"* into Nazi Germany's military machine still exert powerful influence in Luxembourg politics and is understood to have sternly opposed such a move.

The chances are that, failing any fresh monetary disturbances that once again put the Belgian link in question (such as an autumn devaluation of the French franc might do by effectively revaluing the D-mark once again vis-à-vis the Luxembourg franc), the Grand Duchy would prefer not to tackle the currency question. Meanwhile its embryo central bank, the Luxembourg Monetary Institute, is being set-up at a leisurely pace and may come into being in 1983.

Luxembourg's self-assurance in this whole area has not been helped by recent developments affecting its vitally important banking and financial services sector.

The scandal surrounding Italy's Banco Ambrosiano and its failed Luxembourg subsidiary, Banco Ambrosiano Holding, has placed an international question mark over some of the

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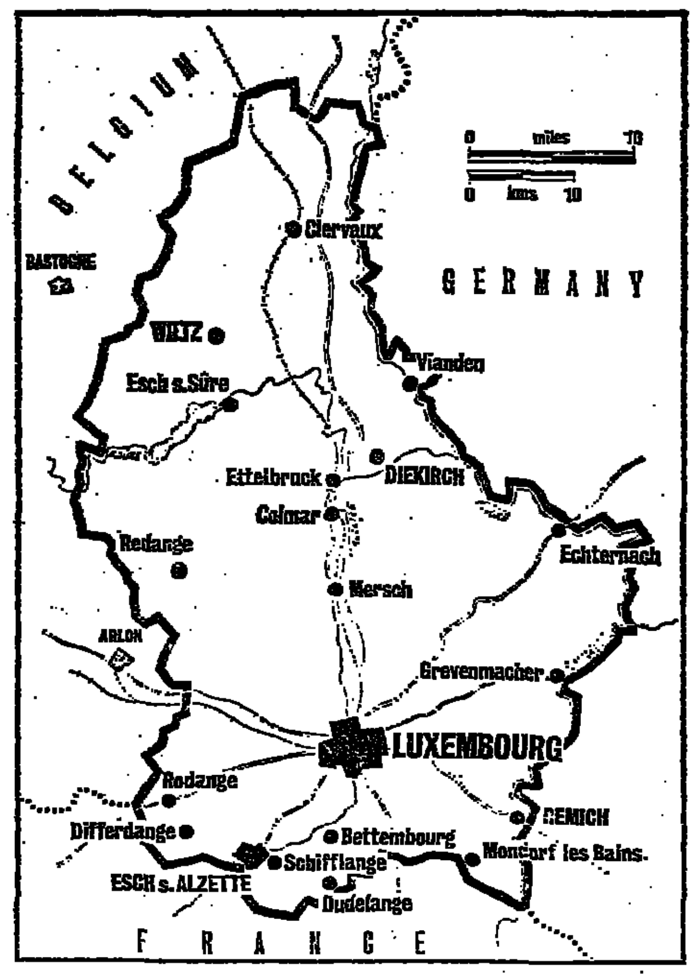
CONTENTS



Luxembourg's Prime Minister, M Pierre Werner. The decision in February by the ruling Centre-Right coalition of Social Christians and Democrats (Liberals) to impose unprecedented austerity measures, aimed at preventing inflation reaching double figures, has not dented the coalition's comfortable majority in the Luxembourg Chamber.

BASIC STATISTICS

Area:	2,590 sq. kms.
Population:	365,000
Currency: francs; $=LuxFr. 48.43; £=LuxFr. 82.55	
Inflation (July, 1982:	9.4%
GNP, 1980; LuxFr. 169.8bn ($5.807bn): *GNP per capita* LuxFr. 465,205 ($15,908).	
GNP, 1981 est., decrease in real GNP of about 1.5% on 1980	
Trade: exports, LuxFr.108bn; imports, Lux.Fr.112.58bn (1980).	
Unemployment, 1981: 1.0%; June, 1982. 1.1%	
Industrial production (1975=100): 1980=108.0; 1981=100.0; May, 1982, 108.0.	
Crude steel production ('000 tonnes): 1980: 4,619; 1981: 3,790.	
Employment in steel industry (1975=100): 1980=77.1; 1981=73.6; April, 1982, 69.9.	

LUXEMBOURG II

The Duchy is scoring successes in broadening its manufacturing base

Austere moves to fight inflation

LUXEMBOURG is inclined to be mildly schizophrenic on the subject of international influences on its small open economy. It has greeted with considerable enthusiasm the 115 foreign banks whose presence makes the Grand Duchy a foremost centre of the international Euro-market for capital. At the same time it finds it hard not to be deprecating and downright resentful at the way other and larger industrial economies have in recent years sapped Luxembourg's own economic resilience.

As a relatively small state that has long combined enthusiastic support for the European ideal with its own prickly patriotism, Luxembourg's ability to reconcile conflicting views of international influences is not in itself surprising. But it is perhaps a measure of the impact that worldwide recession is now having on the Grand Duchy that the spirit of resentment currently appears to have the upper hand.

For left to itself Luxembourg can even today demonstrate an impressive ability to manage its way out of economic crisis. With the crucial steel industry still shrinking, so that last year's 16.6 per cent drop in steel output was largely responsible for an overall 6.8 per cent decline in the volume of all industrial production, Luxembourg is nevertheless scoring successes in its effort to attract new foreign industrial investment to broaden the manufacturing base. M Paul Helminger, the Secretary of State at the Foreign Affairs Ministry responsible for the foreign investment drive, now claims that the Grand Duchy has this year secured almost all the U.S. projects that were destined for Europe.

Luxembourg's attractions for foreign investors remain considerable and doubtless the list of newcomers numbering some 33 companies that have been welcomed since 1977 would be longer if investments were generally more abundant. Labour costs in Luxembourg are cheaper than in neighbouring Belgium and West Germany and in the Netherlands, the country's geographical position is at the heart of the EEC, inflation has been consistently lower than the EEC average and the Grand Duchy offers competitive tax and credit terms.

But the wry joke in Luxembourg is that it also offers plentiful accommodation in the shape of deserted plant left by departed multinational corporations, and indeed the small operation just opened by the Japanese robotics specialist Fanuc does nestle in a corner of buildings once occupied by Monsanto before it closed its man-made fibres subsidiary in Luxembourg.

The effects of a sustained foreign investment drive will, however, contribute all too little to Luxembourg's economic position in the short-term. Meanwhile it has to wrestle with an economy that for most of the 1970s withstood the post-1973 effects of the oil price shock remarkably well but since 1979 has been stagnating.

Luxembourg hopes that it saw the trough of the recession during 1981, for then the previous year's minimal 0.5 per cent increase in Gross Domestic Product turned down sharply and there was a 3 per cent fall. Steel still accounts for some 30 per cent of industrial production, so the 19 per cent drop in Luxembourg's steel exports that year not only depressed industrial production sharply but also took the visible trade deficit to a record LuxFr 23bn.

Luxembourg's overall payments position was saved by its huge LuxFr 64bn surplus in invisible earnings produced by its banking and financial services sector. Until recently the calculation of a payments surplus of more than LuxFrs 40bn would have seemed irrelevant to the country's main economic policy-making priorities because of the 60-year old Belgium-Luxembourg Economic Union (BLEU) that created a customs union and monetary partnership between

Economic trends

GILES MERRITT

the two countries. Luxembourg's surpluses have latterly of course been subsumed into the huge payments deficits run by the much larger Belgian economy. Despite Luxembourg's best efforts the BLEU balance of payments deficit for 1981 reached BFrs 197bn.

That BLEU deficit, together with weak exports and dwindling industrial investment, prompted Belgium's unilateral devaluation by 8.5 per cent on February 22 of this year of the jointly held franc. That high-handed decision decision by the Belgian Government, without prior consultation, has provided a focus for Luxembourg resentment over external factors, for it has had a major effect on the Grand Duchy's own performance this year.

Inflation has in any event been moving sharply upwards from its enviable 1978 level of only 3.1 per cent and last year reached 8.1 per cent; by March of this year the annual rate of 8.4 per cent. But the effect of the surprise devaluation of Luxembourg's currency was to push the likely end-1982 rate to close to 13 per cent. To counter that, and reduce inflation to a probable 10 per cent this year and next, the Luxembourg Government moved smartly in early March to impose an austerity prices and wages regime. The effect of that on consumption, though, makes it almost certain that the economy will see zero growth in 1982.

The fact that Luxembourg, despite the ending of the sustained 3.25 per cent average annual GNP growth enjoyed from 1973-80, has not suffered widespread unemployment on the same scale as most other industrial economies has been remarkable. To some extent, it is a tribute to its Government's willingness to provide an employment safety net in the shape of the Arbed steelmaker's "anti-crisis division" that provides subsidised non-steel jobs for redundant steelworkers. Although Luxembourg's steel employment dropped by 30 per cent from 1974-81, a loss of over 8,000 jobs, overall employment actually increased by some 0.5 per cent during that period and in 1981 there were 1,600 registered unemployed, or one per cent of the workforce.

The clue to the Grand Duchy's success in keeping joblessness so low may lie, however, in the Paris-based Organisation for Economic Co-operation and Development's assessment of the situation earlier this year. Although during 1980-81, it noted, "there has been some deceleration of real wages, this has been accompanied by a considerable slowdown in productivity." As it is, Luxembourg unemployment has so far this year shot to 3 per cent of the workforce and many observers expect it to rise further—although not to the double-digit levels common to most neighbouring industrial areas.

The ripples of Belgium's franc devaluation have still to die down and Luxembourg is still casting doubt over its overdue ratification of the BLEU extension protocol. But like the realists they are the Luxembourg authorities seem privately to recognise that not only is a monetary go-it-alone breakaway out of the question but also that, more important, good domestic economic husbandry is the key to the Grand Duchy's future.

The exercise in "political will" that clawed the 1983 budget deficit needing to be financed down to LuxFr 400m, or 1.9 per cent of GDP, from both a projected LuxFr 6.5bn and a 1981 level of 3.3 per cent of GDP is something of an object lesson for other governments.

An area where quiet consensus prevails

IT IS a tribute to the spirit of quiet consensus prevailing in Luxembourg politics that the emergence of economic difficulties over the past two years and recent tensions with Belgium over monetary affairs have scarcely caused a ripple in the calm waters of the Grand Duchy's political life.

The decision last February by the ruling Centre-Right coalition of Social Christians and Democrats (Liberals) to impose an unprecedented austerity programme designed to prevent inflation reaching double figures this year has not dented its comfortable majority in the 59-member Luxembourg Chamber or led to any significant rise in support for the opposition Socialist Party.

Scandals involving the alleged embroilment of a police superintendant, George Rauchs, in the underworld and the plight of the Luxembourg-based Ambrosiano Holding Company have similarly left the popularity of Prime Minister Pierre Werner's Government largely unscathed. Like most Luxembourg coalitions, it looks set to last a full five-year term until the next scheduled elections in 1984.

The character of the country's politics is aptly expressed in the personality of M Werner. Prime Minister for 18 of the past 23 years. He is a prudent, straight-talking figure who embodies the Christian values and bourgeois conservatism that have consistently dominated Luxembourg's political and social scene.

His party, the Social Christians, has been out of government only once in the past 50 years and has had as determining an influence on the country's politics as the Christian Democrats in post-war Italy. It is not for nothing that the staunchly Catholic Luxembourger Wort is by far the country's best-selling newspaper and finds its way into most Luxembourg homes.

The last elections in 1979 saw a strong swing to the Social Christians, who had suffered their most crushing post-war defeat in 1974, when they won just 18 seats and were thrust from power by a coalition of Gaston Thorn's Democratic Party and the Socialists. This Centre-Left Government pushed through a series of liberal reforms, including the legislation of abortion and the abolition of the death sentence.

Luxembourgers rejected it overwhelmingly however, at the last poll, voting the Social Christians back into power with 24 seats, just two fewer than their best post-war showing in 1954. M Werner's party quickly formed a coalition with the socially reformist but economically conservative Democrats, who won 15 seats, one more than in 1974.

For the Socialists, who have their power base in the industrial south of the country, the elections were a disaster. They took just 14 seats, their worst showing since 1948. Since then the party, the third significant force in Luxembourg politics, has been unable to make much political capital out of the country's economic problems. Its outline proposals, yet to be formally adopted, for the nationalisation of the struggling Arbed steelworks have appeared to gain scant support.

The party, led by M Robert Kriets, a former lawyer like most Luxembourg politicians, did, however, gain broad backing for what amounted to a general strike last April, the country's first mass strike in 60 years. Called in protest at the Government's austerity programme, which suspended the indexation of wages, the strike has since been played down into little more than a minor gesture of displeasure. Officials say the Government now has broad backing for its economic policies.

But the maintenance of the Government's popularity could depend on its ability to achieve its declared aim of holding inflation, currently around 9.4 per cent, to under 10 per cent this year. The National Statistics Office is predicting 12 per cent inflation, a figure which the Grand Duchy's traditionally prosperous population may find hard to accept. The possibility of a prolonged price freeze has been aired but the Democratic Party is not enthusiastic and the harmonious relations of the coalition partners could become strained over this.

Another potentially disruptive issue is that of the country's monetary union with Belgium, which has come under sharp strain since the Grand Duchy was reluctantly forced to follow an 8.5 per cent devaluation of the Belgian franc last February. This was sorely resented by Luxembourgers, who looked to the Government for a firm response.

Until now M Werner's coalition has succeeded in giving the impression of actively examining alternative monetary arrangements while avoiding any precipitous step. But failure to react decisively to any further disadvantageous change in European currency parities could be very costly to the Government. The Socialists, meanwhile, have gained some support with a call for the franc to be linked to the Belgian, Dutch and West German currencies.

In general, however, the coalition seems rock-solid, with its hold on two-thirds of the seats in Parliament and broad support throughout the country.

Political scene

MORRIS KINGSLEY

"Premature elections are virtually unknown here. Compromise is preferred to conflict," one government official said.

The political permutations of the Grand Duchy, with its elaborate system of proportional representation, are in any case limited.

The 207,000 electors of the Grand Duchy have as many votes as there are seats in their electoral district. Parties consistently call on them to vote straight down the lists they present but their call is usually widely ignored.

In an indication of the extent to which consensus and personalities dominate the politics of the Grand Duchy, as many as 20 per cent of voters generally "mix" their choice, opting for candidates from two or more parties, while more than that accord two or more votes to one candidate. "It's the politics of the village green. Everybody knows each other," the official said.

Seats within each district are allocated to each party on a strict basis of proportional representation. The parliamentarians to fill the seats are then chosen on the basis of the number of personal votes they have received. It is a system which produces broad continuity and the loss by one major party of three or more seats in an election may be justly regarded as a violent swing.

The Social Christians' domination of this political structure is such that the question of who will succeed Mr Werner has become perhaps the most burning political issue in the Grand Duchy. The Prime Minister, who is 68, has made it clear that he will only reluctantly take on another term.

His protegè is 48-year-old Finance Minister Jacques Santer, who took over the presidency of the party in 1974, at the lowest ebb in its political fortunes, and has helped to inspire its recent ascendancy. A moderate figure who appears to have moulded his political personality on M Werner's, he has strong support in the central district but is less well liked in the south.

M Santer will be obliged to hand over the leadership of the party at its Congress in November after serving two four-year terms. One favourite for election is Francois Colling, 41, who is popular in the south where he has been active in the Social Christian trade unions. Another potential candidate is M Marc Fischbach, 35, a dynamic young member of the party who is also a member of the European Parliament.

None of these figures can, however, command the country-wide respect that M Werner has established in some 30 years in politics. His retirement will mark the end of a political era for the country. Without him the Social Christians would do well to maintain their 1979 showing at the next elections, while the Democrats may get a boost from the expected return from Brussels of the other major figure in Luxembourg politics, Gaston Thorn.

Tough problems ahead

CONTINUED FROM PREVIOUS PAGE

Grand Duchy's regulatory requirements for financial institutions. Luxembourg Ministers now indicate that there is likely to be some re-examination of the regulations, particularly in relation to Luxembourg-registered holding companies as distinct from the major international banks that in fact represent the solid core of the financial sector.

That sector, in its turn, represents the solid core of the whole economy. Although financial services provide only 5 per cent of employment in Luxembourg, against some 12 per cent for steel, they make up the bulk of a services sector that accounts for over half of Gross National Product.

Despite the slowdown of Euromarket activity of late, which has in turn depressed the Luxembourg Government's tax revenue from the banks, the number of banks has continued to rise. There are now 115 in Luxembourg, as against 108 at the end of 1979, and their total balances have gone from LuxFr 3,917bn at the end of 1980 to some LuxFr 5,000bn at the beginning of this year.

Luxembourg is, however, concerned that the sector should diversify away from being largely a capital market and concentrate more on such areas as insurance and portfolio management. The spectre of a mass desertion of the international banks no longer haunts Luxembourgers but consolidation of the sector is still a priority.

The days when Luxembourg appeared an island of prosperity in Europe are gone, even though the Grand Duchy still clings to the top of the EEC's per capita wealth chart. Besides if a distinction were made to separate off the mainly Portuguese immigrant workers who now account for a large and growing proportion of the third of the population that is not native, Luxembourgers would score still higher. But this year the economy is due to stagnate with zero growth—a slight advance on the −2 per cent suffered in 1981—and the structural problems of the traditional industrial economy are likely to worsen in the years to come.

There is little anticipation, though, that the downturn so far will unseat the present Social Christian-Democratic Party coalition led by veteran Premier M. Pierre Werner when Luxembourg's electorate of some 100,000 or less goes to the polls next in mid-1984.

Luxembourgers' broad support for the Government is in part a reflection of the respect it has earned. But it also owes a good deal to their reaction to perceived threats from outside the Grand Duchy. Luxembourgers combine a staunch faith in the spirit communautaire of the EEC with a prickly national pride, and both were offended by a recent bid led by West German Euro-MPs to remove the Secretariat of the European Parliament from Luxembourg. The Government's role in helping to foil such moves crowned the plaudits it earned in contesting Belgium's unilateral devaluation.

Why the Duchy's environment is now more complicated

Decline of Belgian franc worries the banks

LUXEMBOURG IS a small economy hosting a large number of international banks. The Duchy's emphasis on finance suggests an affinity with off-shore tax havens like Bahrain or Nassau — but Luxembourg's financial sector is in fact neither off-shore nor tax-free.

Indeed their involvement with domestic business and their concern over local taxation are both matters which have been well to the fore of bankers' minds in Luxembourg for much of the past year.

While the Duchy continues to be an attractive centre for Euromarket activities in several respects — most particularly by imposing no central bank reserve requirements — it has undoubtedly become a more complicated environment for the banks.

The root cause of the complications, for local business and taxation alike, is the serious decline in the international value of the Belgian franc. It is used interchangeably with the Luxembourg franc in the Duchy and both francs have been joined in monetary union since 1922.

The Belgian franc has dropped heavily against the world's leading currencies over the year. It declined 28 per cent, for example, against the Deutsche Mark between March 1981 and March 1982.

The Luxembourg franc has had to go along with it — in defiance of the fact that the Duchy remains every year a net importer of capital. Adding insult to injury last February was an overnight 8½ per cent devaluation of the Belgian franc which took the Luxembourg authorities completely by surprise.

Today the authorities would dearly like to be able to hold up independence for the Luxembourg franc as a viable possibility, at the very least as a bargaining counter for any future talks with the Belgian Government.

But an end to the monetary union in present circumstances would pose an awkward problem. According to Mr Ernest Muehlin, Luxembourg's Minister of Finance, an effective revaluation of the Luxembourg franc by 10 per cent against the Belgian franc might cost the Duchy's domestic banks about LuxFr 15bn.

The reason for this is that Luxembourg itself offers the banks only a limited supply of Luxembourg franc (LFr) assets to match their corresponding deposit liabilities. At anytime, therefore, billions of Luxembourg francs are lodged in Belgium, most of them in the coffers of the Government in Brussels.

Moreover, that Government has made one thing very clear: Luxembourg bank assets held in Belgium at the moment of a severance of the two francs would be repaid in Belgian currency at the old exchange rate.

The Luxembourg Government has tried without much success to have additional LFr assets made available for the banks.

Prospects as a key financial centre

DUNCAN CAMPBELL-SMITH

For example, the Belgian Treasury refuses to issue LFr-denominated bills—though it is notable that Belgian state companies have accepted credit facilities denominated and firmly repayable in Luxembourg francs.

The alternative course for the Duchy is to attempt to constrain the growth of the banks' LFr liabilities. To this end it was last week preparing to introduce Finance Ministry guidelines discouraging several categories of LF customer deposits.

Some of the Duchy's senior bankers have grave misgivings about this course of action. "We are introducing a dangerous element into our system—and we do not know the end of it," says M Constant Franssens, general manager of Kreditbank Luxembourg.

Other bankers have suggested supplementary action to curtail speculative deposits in Luxembourg francs, including a two-tier structure of interest rates for example.

How long the existing parity of the two francs could survive this kind of development is a worry to many bankers. Besides, could the Luxembourg franc really expect to survive as an independent currency unit?

Of the 115 bankers established in Luxembourg at the end of August, however, fewer than 20 take significant local deposits and stand to be directly affected by all this. It is the tax ramifications of the francs' declining value which have caused far wider concern.

The Duchy's tax authorities take a general indulgent view of the banks' accounting and their use of pre-tax provisions. "No strict philosophy" is the description used of this approach by M Pierre Jaans, Luxembourg's Banking Commissioner.

But the banks have no special status in law—unlike those in Singapore, for example—and must pay tax at the standard rates on their income. The difficulty is that income is calculated in Luxembourg with reference to balance-sheet growth over the year—and the decline of the franc has given rise to currency gains for many banks where equity capital has been held in stronger currencies during the year.

A minority of the banks are allowed by the Duchy to draw up their accounts in their domestic currency. These banks, which include the subsidiary of Union Bank of Switzerland, have nevertheless been requested to pay tax on the appreciation of their capital in franc terms.

The majority of the banks use the franc for reporting purposes. This has presented the banks with two broad alternatives. Credit Suisse Luxembourg exemplifies one option by leaving its franc-denominated equity in the local currency. This avoids the tax difficulty but exposes the subsidiary's parent to foreign exchange losses. Credit Suisse has sought to limit this exposure by minimising the amount of its paid-up capital in the subsidiary and providing subordinated debt instead.

The other option, adopted by the big German banks among others, has involved using the franc for accounting purposes only. Franc-denominated equity capital has been converted to, say, D-marks and kept in that currency through the year. Here again the Luxembourg authorities have been demanding that tax be paid on the difference between the D-mark values of the franc capital at the start and end of the accounting period.

None of these taxes has yet been paid. Taxes in the Duchy are only due within five years of each relevant accounting period. Meanwhile, the banks have organised their opposition and appointed a steering group to conduct talks with the Government on ways of removing the tax.

The amounts at stake are formidable. Bank of America last year made pre-tax profits of $7.4m which were reduced to $2.9m after taxes including those set aside for currency gains. Dr Ekkehard Storck, general manager of Deutsche Bank Luxembourg—still easily the largest bank in the Duchy—says his bank's tax liability over currency gains could now exceed DM 100m.

Talks have been going on since the beginning of the summer and M Pierre Werner, Luxembourg's Premier, has told the banks he would like to see the matter resolved by the end of the year.

Mr Muehlin says one way out of the impasse might be for the banks to be allowed pre-tax provisions which could absorb "most or even all of the currency appreciation." The Government is evidently keen to find a solution which would leave intact the principle of using the Luxembourg franc as the basis of the banks' tax accounting. The bankers appear to remain sceptical of the Government's proposals.

Finally, an eventful year for Luxembourg's bankers has included an unwelcome involvement for the Duchy in the unhappy affairs of Italy's Banco Ambrosiano group.

The decision of the liquidated Milan parent not to stand behind the debts of its 68 per cent-owned Luxembourg subsidiary, Banco Ambrosiano Holding (BAH), prompted concern for a while that the standing of Luxembourg banks in the international money markets might be adversely affected.

This puzzled and upset some of the Duchy's senior bankers—"the fiasco even looked more of a threat than the rumoured exposure of our German banks to Poland," said one. But by early September it seemed clear that real damage had been avoided.

Most of the local banks attribute much of the credit for this to the prompt action of M Pierre Jaans in seeking the explicit support of their parents for all the Italian banking subsidiaries in Luxembourg — notwithstanding the fact, of course, that BAH was not a bank but a holding company.

Heavy strain on co-operation

UNTIL FEBRUARY this year, Luxembourg's close economic and monetary relationship with Belgium its larger neighbour, seemed like a model of harmony. Dating from after World War I, the Belgo-Luxembourg Economic Union (Bleu) linked the two states in a customs union which served as a model for later attempts at European integration.

Monetary union had come to mean parity for the two nations' currencies and the two partners had stood side by side in the post-war efforts to forge European economic co-operation out of the chaos left by World War II.

In 1957, Belgium and Luxembourg were founding members of the European Economic Community. In 1958 the Bleu served as a cornerstone for the more closely integrated Benelux Union which grouped Belgium and Luxembourg with the Netherlands. For Belgians, Luxembourg banks came to provide a convenient haven, free of withholding tax for their savings, with no exchange risk because of the interchangeability of the two currencies. For Luxembourg, Belgium's consular service provided a cost-free trade umbrella of diplomatic representation abroad.

Then on February 19, 1982, the foundations of this harmony were violently shaken, and the whole basis of Luxembourg's monetary co-operation with Belgium thrown into question. The immediate cause was the Belgian Government's decision to devalue its currency, dragging down with it the Luxembourg franc.

In hindsight, it is clear that the storm which broke that day had been brewing for years. Belgium's recession-weakened economy had got increasingly out of step with the prosperity of the Grand Duchy. A heavy trade and balance of payments deficit had weakened the Belgian franc, and speculation against the currency had forced the Belgian National Bank to spend heavily from its reserves.

For many in the Grand Duchy, more than 60 years of close economic co-operation began to show serious drawbacks as the disadvantages of being allied to what had become one of Western Europe's weakest currencies suddenly became apparent.

In the event, it was the way in which the news of the devaluation decision was broken to Luxembourg's Prime Minister, Pierre Werner, which caused the greatest affront. Only days before, the outgoing governor of the Belgian National Bank, Cecil de Strycker, had specifically rejected devaluation as a cure for Belgium's economic woes. In Luxembourg, economists and bankers knew that such a move would mean imported inflation and economic instability for their country, whose prosperous banking system had brought it a comfortable balance of payments surplus.

Belgium for its part had pledged under the Bleu agreements to consult Luxembourg before any change in its external monetary policy. A new wind of economic austerity in Belgium's recently formed Centre-Right coalition Government seemed indeed to give some comfort to those who were worried about the downward course of Belgium's economic prospects. But what happened that week in February sent the two countries' history of economic co-operation to its lowest point ever.

In Luxembourg, Mr Martens' unexpected announcement was greeted with dismay. Not only would the proposed devaluation have severely unfavourable consequences for the Grand Duchy, currently in the grip of unprecedented labour unrest. Belgium's total failure to consult its smaller partner was seen as an affront to national dignity.

After hours of tense debate in Brussels that weekend, an 8.5 per cent devaluation of the Belgian franc was finally agreed on. Luxembourg reluctantly followed suit, holding intact the two countries' monetary union. But the process of disenchantment which began that weekend is far from ended, and the future of Luxembourg's monetary union with Belgium still hangs in question.

The problem facing Mr Werner and his advisers is just where Luxembourg should turn if it decides to break with Belgium. In fact, the July 1921 treaty of economic union with Belgium was by no means the Grand Duchy's first attempt to shelter under the broader wings of one of its more powerful neighbours.

For centuries the pawn of fortune in wars between the European states, Luxembourg had only just abrogated, in 1919, an economic treaty with Germany dating from 1848. When that alliance was broken off, the Government turned instinctively to France, another victim of the German Empire's aggression. But France turned down Luxembourg's advances, with the result that Belgium, its other smaller neighbour, seemed the only remaining choice.

Now that the creation of the European Community has made war between West European states unthinkable, one course might seem to be to re-establish Luxembourg's original close economic links with West

The Belgium relationship

NICHOLAS BRAY

Germany, its main trading partner. But a decision to tie the Luxembourg franc to the mark would run into formidable political opposition in the Grand Duchy itself.

Mr Poos proposed that the Luxembourg franc should be tied to a basket containing the Belgian franc, the mark and the Dutch guilder. Other proposals include a link with the guilder alone, or with the ECU, the European Community's composite basket of currencies. All these ideas, however, have their disadvantages, and Luxembourg's 365,000 citizens by themselves are too few to sustain an internationally convertible currency of their own.

In fact, since last February, Luxembourg and Belgium have started a complex renegotiation of their monetary arrangements. Luxembourg has already won the right to issue more banknotes of its own, in circulation in the Grand Duchy alongside Belgian notes and coins.

A bill for the creation of an independent Luxembourg Monetary Institute, with some of the functions of a central bank, is to go before Parliament this autumn. But Belgium has so far refused to meet Luxembourg's demands for separate identification of its reserves, held in pool with Belgium's at the Belgian National Bank. Belgian agreement to start calculating Luxembourg's balance of payments surplus is likely to add further fuel to the argument of those in favour of monetary independence.

Since last June, the devaluation of the French franc and the accompanying revaluation of the mark and the guilder have added further weight to the unilateralists' position. The Belgian and Luxembourg francs dropped by a further 4.5 per cent against the two strongest European currencies, making their total depreciation in the space of only a few months add up to as much as 13 per cent. If the Belgian franc should drop by a further 5 per cent against the mark, many bankers feel that Luxembourg would inevitably be forced into a divorce.

In fact, Luxembourg would have a precedent for going it alone in terms of currency parities, even if it maintained trade integration under the Bleu treaties. Between 1935 and 1940, Luxembourg did actually operate a different parity from the Belgian franc, after refusing to go along with a heavy devaluation imposed in Belgium.

The result, in commercial terms, was chaotic, because Luxembourg and Belgian francs continued to circulate side by side in the Grand Duchy, though with a 25 per cent difference in value. Today, the disruption might be even greater, unless the Luxembourg Government has time to make careful preparations.

In the debate over Luxembourg's monetary future, this eventually is still being actively considered. An upsurge in foreign investor interest in Luxembourg francs, reflecting speculation about a possible break with Belgium, has already led to a sharp rise in trading in Luxembourg-franc denominated bonds on the local stock exchange. Bankers are talking of introducing a two-tier interest rate structure, depending on whether deposits are denominated in Luxembourg or Belgian francs.

Some Luxembourgers speculate that the creation of a Luxembourg Monetary Institute with a voice at the IMF and the Bank for International Settlements in Basle could be a prelude to national monetary independence.

Ultimately, the outcome of the current heart-searching in this 61-year-old marriage depends on the success of Belgium's attempts to rectify its economic problems. A decision by Luxembourg to divorce would be a serious psychological blow for Mr Martens. But as long as the future stability of the Belgian franc remains in doubt, such an eventuality cannot be excluded.

LUXEMBOURG IV

The Luxembourg-based European Investment Bank, which assists regional development within the EEC, is among the largest single borrowers from the Grand Duchy's own banks.

Big rise in lending operations

European Investment Bank
DUNCAN CAMPBELL-SMITH

HOUSED in one of Luxembourg's most striking new buildings on a part of the Kirchberg plateau just outside the Duchy's main city centre is the European Investment Bank (EIB).

The EIB's principal task under Article 130a of the Treaty of Rome is to assist regional development within the European Community; the dimensions of the task have clearly broadened under the impact of continuing recession.

Last year the EIB lent a total of $2.2bn and the corresponding figure for 1982 now looks like being half as much again. In the eight months to the end of August the bank lent $1.1bn to public sector borrowers and 800m to the private sector.

While its lending operations have continued to expand, however, it is the treasury department of the EIB which has attracted most interest in recent months.

The bank has for some years been the largest single borrower in the Eurobond market and a major presence in the international capital market generally. It was announced on August 2 that the overall responsibility for the EIB's conduct in the markets is now to change hands for the first time since 1974.

The key job in this context is that of director of finance and treasury at the bank, which has been held for eight years by M Andre George. He is to step down in December.

It is no secret that M George aspired to a place on the six-man management committee of the bank. But when a new committee was appointed for the next six-year statutory term in June, M Yves Le Portz, who is 62, stayed on for another term as the French president of the committee.

Given the need of every EEC institution to keep a balance between the European nationalities on its staff, this effectively precluded M George from consideration as one of the three new appointments to the committee.

Now working under the chairmanship of M Le Portz are five vice-presidents: Herr Horst-Otto Steffe from West Germany; Mr Richard Ross from the UK; Mr Noel Whelan from Ireland; Sig Lucio Izzo from Italy and Mr Arie Pais from the Netherlands.

M George regrets having to leave but has the satisfaction of leaving behind a distinguished record of capital-raising operations at EIB. Over eight years, during which time the bank has seen three increases of capital to the present $13.8bn, the bank has acquired a reputation as one of the canniest borrowers in the marketplace as well as one of the most frequent.

"In the early years" says M George, "it was simply a question of sorting through the big banks' offers to find the best conditions for a mandate with a view to establishing the best credit for the bank in the market. Now we are perhaps more selective. We are emphasising more the importance of developing continuous relationships with a group of banks."

The group comprises just over a dozen leading banks. Their client is a borrower which in the past has not been afraid to steer its own way in the volatile conditions of the Eurobond market, with sometimes adventurous timing and an unswerving insistence on the very finest terms—as M George explains, "there are Triple A credits and Triple A credits but the EIB must belong to the very top bracket."

Its borrowing innovations in past years have included the first Euroyen issue and, in 1977, an attempt to introduce a tender auction procedure for Eurobonds. "We got some good proposals and it went well," recalls M George. "But we have not tried it again. Market conditions have been too volatile—and the bankers in some cases made it clear they were not too pleased with the idea."

Today, in addition to having access to every major public market in the world, the EIB also relies heavily upon private placements of its debt with pension and insurance companies, central banks and other financial institutions around the globe.

In this context it draws on its own banking expertise and needs no other banking intermediary in many cases. Several placements have been made directly—for example, with Arab government agencies, including the Saudi Arabian Monetary Agency in Riyadh and the Abu Dhabi Investment Authority.

Private placements account for about half of the EIB's funding at present and M. George believes the proportion could grow still further in the next few years.

The man to decide this, however, will be M George's French successor, M Philippe Marchat, another product like M George of French technocracy and the Finance Ministry in Paris.

M Marchat is 52 and the present finance director of France's central savings bank authority, the Caisse des Depots et Consignations. His banking background compares with that of M George, who came to the EIB in 1974 from a senior position at the Societe Generale.

M George says he has no advice for his successor. "We will discuss the workings of the bank and its place in the market, of course. But he will have plenty of experience of the markets himself. We shall have to compare notes."

On the other side of the balance sheet, meanwhile, the EIB's lending programme still revolves around three main priorities, though the pattern of its lending has altered in certain details.

Loans to assist regional development within the EEC continue to go mostly to infrastructural projects as new industrial investments in 1981 remain depressed by the recession. Restoration of Italy's earthquake-stricken regions, Campania and Basilicata, was again a priority in 1981 and accounted for $315m.

In his June address to the bank's board of governors, M Le Portz also noted in this context of regional assistance "a striking change in the distribution of Bank financing operations" which included a sharp fall in the demand for loans in the UK.

A second priority, as indeed throughout recent years, has been lending to the energy sector to encourage diversification away from oil and the development of the EEC's indigenous energy resources. This sector absorbed $1.44bn last year, equal to nearly half of the bank's lending.

Third, the EIB has continued to support projects, to the time last year of $468m, in some 35 countries outside the EEC but of specific interest to the community. These include Turkey but also the two countries aspiring to EEC membership, Portugal and Spain.

One other significant development in the recent affairs of the EIB has been the growing importance of its custody and management of finances raised by the EEC in its own name and lent under the terms of the New Community Instrument (NCI).

M Le Portz noted in his June address that "a certain rigidity in the NCI's financing mechanisms has hampered the use of this instrument." Now the Commission in Brussels has established a special treasury facility allowing the EIB to dispense NCI funds with the same flexibility as its own — and the funds are to be made available to a broader range of projects than in the past.

The point of the NCI, introduced first in 1979 and often called the Ortoli Facility, is that it should complement the activities of the EIB. (Some 35 of its 41 loans to date have been made to projects already receiving EIB funds). The extent to which its operations will now be handled by the EIB itself is indicative of the authority and respect which the bank commands within the councils of the Community as well as in the international capital market.

Significant influence on EEC development

Grand Duchy's dominant EEC role
MORRIS KINGSLEY

DESPITE accounting for little more than 0.1 per cent of the European Economic Community's population, Luxembourg has exerted a significant influence on the development of the EEC over the past 25 years. Always in the vanguard of calls for greater European integration, the Grand Duchy has, like other smaller Community countries, perceived in the EEC a means not only to gain substantial financial benefits but also a voice in international affairs. The appointment last year of former Prime Minister Gaston Thorn to the presidency of the EEC Commission has both reinforced Luxembourg's traditional commitment to Europe and provided recognition of its contribution to the EEC.

As president M Thorn, who is 54, has pressed for a strengthening of the Community along lines consistently favoured by his country. He has repeatedly called for an extension of the European Parliament's limited powers, the development of the EEC into a political force through greater co-operation on foreign policy and security issues, increased efforts to achieve monetary union through an elaboration of the European Monetary System (EMS), the creation of effective joint policies in fields like energy and industrial innovation and the Community's enlargement to 12 members. This, for M Thorn, would constitute the "Europe of the second generation" which he believes provides the only alternative to decay and disintegration.

Wedged between three other EEC countries, Luxembourg would only stand to lose by any failure to achieve these goals and a weakening of the Community which it helped to found. Apart from the important benefits accruing to its farmers, wine growers and steel industry from Community policies, the Grand Duchy has made substantial investments designed to ensure its future as a centre of steadily expanding EEC activity.

On the windswept Kirchberg plateau just outside the old city a collection of ultra-modern concrete and glass palaces houses EEC accountants, bankers, judges, lawyers, statisticians and parliament officials. For three months of the year EEC Ministers also meet here. In all some 3,000 Community civil servants provide a significant boost to the national economy. The Government has shown the importance it attaches to this strong EEC presence by starting legal proceedings in the European Court of Justice designed to ensure that the 434-member European Parliament quits Strasbourg twice a year to convene in the Grand Duchy.

M Thorn's political background is intimately tied to this European identity of the Grand Duchy. When he first entered the Luxembourg Parliament in 1959 at th age of 31 as a rising star of the centrist Democratic Party, we also became a member of the embryonic European Assembly, where he was active over the next ten years. Further European responsibilities fell to him in 1973 when he took over the presidency of the Community's federation of Liberal and Democratic parties. As Foreign Minister and then Prime Minister between 1968 and 1979 he established an international reputation largely through his polished performances at EEC meetings.

Affable, quick-witted and sometimes indiscreet, he became a popular figure in the European Press. Married to a journalist, he sensed the importance of the media. His image was that of the modern, relaxed and open-minded politician, concerned by the problems of the Third World and imbued with a commitment to European unity which cut through the prevarication of Ministers from other member-states. As Commission President he has striven, often with difficulty, to retain this image.

"M Thorn's presidency has been extremely difficult, the most trying period of his political career. His public image is by no means as good as it was and there are rumblings of discontent in the Commission," a senior EEC official said. In Brussels the high hopes for Europe that M Thorn's brilliant rise in the Grand Duchy had engendered have largely faded as he approaches the half-way mark in his expected four-year term.

One major factor behind this disillusionment has been beyond his control. The recession in the EEC over the past two years has left governments little inclined to contribute the funds needed for the development of new EEC policies. It has encouraged the "accountant's" mentality" which M Thorn has often deplored among member-states, contributed to the rise of protectionist tendencies and provoked a general pessimism about the future of the Community.

Against this background M Thorn's outline for the radical development of the EEC, contained in his exhaustive and long-pondered Mandate Report, has foundered. There has been no move towards new Community policies on energy, new technology, employment or the development of less affluent regions. Governments have made it clear they will not go beyond the 1 per cent VAT ceiling on their EEC budget contributions. The EMS remains a far cry from full monetary union. His vision, which is also that of the Grand Duchy, has had to be put into abeyance.

M Thorn's presidency has, however, seen the return of the majority vote in ministerial meetings—a development he regards as essential if the EEC is to avoid total stagnation.

Despite his difficulties M Thorn remains something of a hero in Luxembourg, where his return to national politics after four years in exile is eagerly awaited. The impact of his departure has, however, been attenuated by the success of his replacement in the Democratic Party and the government, 45-year-old Mlle Colette Flesch. A convinced European like M Thorn—she spent five years working in the Council secretariat in Brussels—Mlle Flesch is the first woman to have presided over a meeting of EEC foreign ministers.

Frank, garrulous and indefatigable, she has impressed EEC colleagues and successfully combined the jobs of Foreign, Economic Affairs and Justice Minister. Liberal in her social views, she backed the Democratic Party's successful campaign for the legalisation of abortion, relaxation of divorce laws and the abolition of capital punishment. A former student of law in the U.S., she speaks fluent English, French and German, as well as her native Luxembourgish. She is often tipped as a possible Prime Minister.

If the European commitment of M Thorn and Mlle Flesch may be said to stem from any one man, it is certainly Social-Christian Prime Minister Pierre Werner, 68, the *paterfamilias* of Luxembourg politics and a man who has done much to forge the Grand Duchy's EEC role over the past 25 years. Straightforward, cautious and discreet, a man of strong conservative moral values, he led the country from 1959 to 1964, the years during which Luxembourg became intimately identified with the functioning of the Community.

His air of substantial, rosy-cheeked well-being epitomises the bourgeois solidity of the Grand Duchy. Prime Minister again since 1979, Mr Werner, a former banker, has taken a particular interest in the development of the EMS and has been disappointed by recent failures to strengthen the system. As early as 1970 he was the author of a report on monetary and economic union which served as the basis for a programme laid out by EEC Ministers in 1971 aimed at ensuring greater economic convergence.

A veteran of EEC meetings, his first enthusiasm for the Community has not faded and he remains determined to foster the Grand Duchy's wedded interest in the development of the Community.

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LUXEMBOURG V

Although Luxembourg enjoys the highest standard of living in the European community, the tiny country also has one of the lowest birthrates in the world

The Grand Duchy faces an alarming paradox

AT FIRST SIGHT, it seems a paradox: Luxembourgers enjoy the highest standard of living in the European Community and yet have what could be the lowest birthrate in the world—demonstrating what a famous native son, Gaston Thorn, European Commission President, once labelled a "tendency toward collective suicide."

The statistics are unmistakable and, to the Luxembourg elite, alarming. The total population, which for two decades was growing by about 2,500 a year, fell last year by 1,000 to 364,000. Of the other nine Common Market countries, only Denmark also experienced a decline, but it was proportionately much smaller.

Moreover, the number of Luxembourg natives has been decreasing by about 1,000 a year for the past 14 years, although the loss has been partly offset by the granting of citizenship to immigrants.

Thus, in 1980, born-and-bred Luxembourgers totalled 271,000, down from 277,000 in 1970, while foreign residents—mainly Italians and Portuguese who have flooded the country in the post-war years—increased to 93,000 from 63,000. They now make up more than a quarter of the overall population, a proportion unequalled in any nation, according to the Government.

The records show that Luxembourg women are marrying later, planning smaller families, spacing their children out more, getting more abortions, and divorcing more frequently than did their mothers. The result has been a slide in the birthrate from 16 per 1,000 in the so-called baby-boom years after World War II—and this was lower than in most other Western countries—to 8-9 per 1,000 today.

This means the average female is bearing only 1.3 children now, compared to 2.35 in the 1960s and far below the "replacement level" of 2.1 that would assure a long-term stabilisation of the populaton.

It all seems somehow paradoxical, for young Luxembourg women today have so many more comforts and conveniences to ease the job of child-rearing—and ultimately to pass on to their offspring—than did their great-grandmothers, who brought into the world an average five or six sons and daughters.

Luxembourg figures among the richest countries in the EEC alongside West Germany and Denmark, and is the richest of all if calculations are based on purchasing power parities. There are 520 telephones for every 1,000 residents, compared to 374 in Germany and 285 in Italy. The country's steel workers are the highest paid in Europe, and almost half own their own homes, compared with 20 per cent in France and 38 per cent in Belgium.

What seems a contradiction, however, may well be rather a cause-and-effect relationship.

"The decline (in the birth rate) is rather linked to prosperity," said Georges Als, director of Statec, the national statistical agency in a recent study. "Our elevated living

Luxembourg Conundrum

BRENT BOWES

standard is explained in part by it. At both the individual and national levels, we've made savings by reducing the costs incurred by children."

Mr Als went on to remark that having children costs parents dearly in time and in money—both precious commodities to modern couples—and forces them to bear long-term responsibilities.

Another official in Luxembourg, who requested anonymity, said the low birthrate "is not unusual at all. The wealthy tend to have low birthrates, not just in the West but in the developing countries as well." largely because of their familiarity with birth control methods.

"Luxembourg is a microcosm," he asserted.

If this is so, its experience with negative population growth could portend similar declines elsewhere, and the methods it eventually adopts for countering the trend could be instructive to other governments that must grapple with the problem.

Colette Flesch, foreign minister and former mayor of the city of Luxembourg, said she is "very worried" about the dwindling numbers of her compatriots. The phenomenon "is especially marked in our country, and successive governments have sought to adopt measures to encourage large families," she said.

She acknowledged that these have not so far paid off, and she suggested that the medium-term solution will be to grant citizenship to immigrants.

"We have large colonies of Italians and Portuguese," she said. "We've softened our (citizenship) laws to pursue a policy of integration of foreigners into our population, and this can partly compensate."

Nevertheless, she and others pointed to longer-term problems if people refuse to enlarge their families. Madame Flesch singled out strains in the social security system, but added that her real fear was the "uncertain future of the country."

Gaston Thorn recently said he considered "the demographic crisis" to be a "problem of survival."

"The fall in the birthrate threatens to result in a labour shortage, an increase in costs and a loss of competitivity," Mr Thorn said.

"The ageing of the population will also lead to a rise in health and old-age costs. But what is most serious, I fear that relatively soon the decrease and the ageing of the population will enfeeble economic dynamism at the precise moment when competition from younger countries endangers our traditional industries."

Mr Als also spoke of the need to guarantee national survival. He gave a warning that Luxembourgers might have to choose between absorbing outsiders and accepting a lower standard of living in order to pay simultaneously for programmes to encourage big families and to care for the elderly.

In any case, he said, the native population is likely to fall over the next half-century—from 270,000 to 203,000 in a pessimistic scenario, to 256,000 in an optimistic scenario and to 232,000 in a 'central' scenario. The percentage of foreigners in the total population will range from 24 to 35 per cent, he said.

"All these projections show the dramatic character of the situation in which we find ourselves," Mr Als said. He did point to one promising development elsewhere. East Germany, whose birthrate once matched Luxembourg's, instituted a series of measures to encourage women to have more babies and managed to bring the figure to France's more fertile level of 1.85 per mother.

Luxembourg's officialdom has at least one consolation: the much-beloved Grand Duke and his family are setting a positive example to their subjects. The Grand Duke Jean and his wife, the Grand Duchess Josephine-Charlotte, have five children: Princess Marie-Astrid, Prince Henri, Prince Jean, Princess Margaretha, and Prince Guillaume.

Prince Henri, heir to the throne, married a foreigner, Cuban-born Princess Maria Theresa, on February 11, 1981. She bore him a son almost exactly nine months later.

Investors offered wider range of services

"IN THE space of a few years," says Mr Ernest Muehlin, Luxembourg's Finance Minister, "we have moved from one kind of monolithic economy to another—from a complete dependence on steel to a huge dependence on banking. That is going to take some digesting."

While there may in future be fewer new banks in the Duchy than in the past few years of rapid growth, however, the process of digestion will be much assisted by a sustained development of the business activities of the existing sector. And that, say the Luxembourg authorities, is where a future expansion of the sector's portfolio management capabilities comes in.

The inverse yield curve which has so often prevailed in the international markets in recent years—offering investors a higher yield on short-term deposits than longer term investments—has made it easy for the Duchy's banks to accumulate substantial deposits

"The challenge for them now is to keep hold of these funds and be in a position to offer a broader range of services to the customers that have been attracted," says M Pierre Jaans, Luxembourg's Banking Commissioner.

M Jaans says he has no illusions about the limited extent to which any government can give a lead to this sort of development and it is readily acknowledged in Luxembourg that progress will necessarily be slow. The Duchy will hardly become a mini-Switzerland overnight. Nevertheless a good start has been made.

Banking secrecy has a long tradition in Luxembourg. But it

Banking and portfolio management

DUNCAN CAMPBELL-SMITH

was becoming increasingly uncertain until last year how the authorities, given a crisis, would reconcile this tradition with a need to co-operate with other international regulatory agencies.

The 1981 Banking Secrecy Act removed this uncertainty by specifying exactly those situations in which a bank could disclose information without incurring legal penalties. Information can now be passed by a bank to its overseas parent, and via the parent to a supervisory authority, about an asset exceeding $1m and a liability to a bank exceeding $2m. Other items are protected by Luxembourg's penal code.

The code does not prevent disclosures about holding companies. Recent statements in Italy to the effect that information about Banco Ambrosiano Holding was blocked by Luxembourg secrecy laws were mistaken on this point.

On August 10 another important new banking law formalised the range of powers wielded by the Banking Commissioner. The law will also offer some protection to any bank running into financial difficulties in the Duchy.

These are the kind of measures which the authorities believe will make Luxembourg an attractive place for international investors to deposit their funds—but it is not the intention to turn the Duchy into an overly formal centre.

"Our intention is to continue relying on persuasion wherever possible," says M. Jaans. "But persuasion can sometimes work better against a background of formal legal powers."

Additional proposed legislation already in the pipeline includes a draft statute to form a central bank institution, which could be put before Luxembourg's parliament before the end of the year.

A draft law on the regulation of investment funds was one consequence of the IOS debacle in 1972 and is still planned—despite endless delays caused by an EEC study of the subject. The Luxembourg authorities are also hoping finally to clarify the operation of trustee arrangements in the Duchy.

Above all, perhaps, a committee of experts under M Jean-Nicholas Schaus, the deputy banking commissioner, is still working patiently to improve any aspects of Luxembourg law which might compromise the smooth working of portfolio management services.

The committee is looking, for example, at transfers of claims between creditors, fiduciary accounts documentation and the arrangements for holding gold in a fungible form.

Meanwhile the Government is always working steadily to increase the number of countries with which Luxembourg has double taxation treaties—so far they include Germany, Austria, France, Belgium, Iceland, Ireland, Brazil, the UK, the U.S. and The Netherlands.

What, so far, are the results of all this activity? Luxembourg's Swiss banks have an understandable lack of interest in the subject and the German banks appear similarly indifferent.

Some of the Duchy's French and U.S. banks, on the other hand, are setting great store by the growth of their "private banking" activities—emphasising, according to Mr Patrick Cuningham of the Bank of America, the cheap administrative costs of an account in Luxembourg and the scope for elaborate service in view of the limited number of accounts so far in existence.

The record to date suggests, they say, that Luxembourg appeals rather more to private individuals than to institutions. Mr Edmond Israel, a director of Banque Internationale à Luxembourg and chairman of the CEDEL bond clearing system, thinks this could be the key to the Duchy's future in international fund management—building on its established reputation in the Eurobond market as a haven of private retail funds and complementing the largely institutional markets served by London and Switzerland.

Arbed, the country's giant steel-making group, has taken out insurance against possible restrictions of access to neighbouring European markets

Free trade within the EEC is of paramount importance

DURING the boom years for steel—before 1974, when EEC output in the early 1980s was being forecast at over 200m tonnes, or approaching double today's dwindling levels—Luxembourg liked to boast that its own giant Arbed group was Europe's fourth largest steelmaker. Nowadays the emphasis has shifted. Arbed is no longer described baldly as a Luxembourg company so powerful as to have major international operations but instead as a "transnational" steel producer that has plant in Luxembourg as well as in Belgium and West Germany.

Arbed's concern to present itself as a transnational group is understandable. It is concerned that with protectionism increasing worldwide, particularly in the international trade in steel, its access to vital foreign steel markets may be restricted.

For while it is true that Arbed is a sprawling transnational group employing some 53,000 people worldwide, with fewer than 19,000 actually in Luxembourg itself, the steelmaker is also crucial to the Grand Duchy's economy. The figures that speak for themselves are those that show Arbed's current crude steel output from the Luxembourg plants as destined to the tune of some 96 per cent for export markets. At the same time those steel exports account for more than half Luxembourg's total exports.

The need to maintain free trade in steel within the EEC is of paramount importance to Arbed and it says something of the insecurity of the EEC's present prices and production regime policed by the European Commission that Arbed has this year attempted to take out insurance against possible restrictions of its access to neighbouring European steel markets. It may well be that despite the pressures on the EEC regime of U.S. steel curbs the system will hold up but Arbed's bid was to become jointly owned by several EEC governments.

The idea was that the Belgian Government's 22 per cent stake in Arbed's ultra-modern Sidmar plant in Flanders should, in a modified fashion, become the model for a "balanced" system of government shareholdings in the Arbed group that would transform the basically private Luxembourg-based group into a

The steel industry
GILES MERRITT

truly transnational one. The governments of Belgium, Luxembourg, West Germany and France would become the joint owners, or at any rate largest shareholders.

There were proposals for two different approaches to restructuring Arbed's equity: one in which the governments would subscribe capital to the Arbed subsidiaries in their countries which would have excluded France; the other for direct participation in the Arbed group, which could have included the French Government by encouraging it to take over the Arbed shares currently held by the Empain-Schneider group.

To the regret of M. Emmanuel Tesch, Arbed's chief executive, his plans for putting Arbed on a more stable basis as it pursues its restructuring programmes and ensuring that those vital neighbouring markets remain open to Luxembourg's own steel have so far borne little fruit.

West Germany, in the shape both of the Federal Government in Bonn and the Saarland authorities already involved to some extent through Arbed's interests there, has been markedly unenthusiastic about the prospect. German involvement cannot be completely ruled out at this stage since the new equity plan was only put forward at the end of last June but the Federal Republic's first and negative reaction already risks killing the idea stone dead.

Luxembourg's own government would have overcome its own deep-seated reservations concerning public ownership if Bonn had welcomed the plan but in the event is showing signs of evident relief that it will most probably not be called on to do so.

The aspect of the Arbed state participations scheme that clearly most discouraged the various governments was not the notion that they might be called on to resist curbs against Luxembourg steel exports but the probability that they would become liable to increasingly large demands for cash. Arbed ing difficulties in raising fresh capital to fund its vital restructuring programme.

Before detailing the deterioration in Arbed's debt position it is worth pointing out that the group is generally recognised to be the victim of structural decline in the international steel sector rather than the victim of any serious management calculations. Indeed, in recent years Arbed has won itself a reputation for careful crisis management.

But the scale of the steel industry's difficulties is such that Arbed's original assessment of the measures needed to streamline itself back to health has gone awry. According to Luxembourg Government Ministers, the LuxFr 23bn originally caled for in the mid-1970s as the price of restructuring to cut the Luxembourg plant's capacity back from a yearly 8m tonnes to 6.5m tonnes may well be only a third of the total investment that will be required.

It is not yet possible to put a precise figure on the future financing needs of Arbed in Luxembourg. But because of the group's expensive debt burden and the fact that some long-standing cheap credit lines at some 7-9 per cent interest must shortly be expensively rescheduled the total requirement of Arbed in the 1980s is currently being put at around LuxFr 40bn.

To put such figures in perspective, Arbed's serious 1981 losses totalled LuxFr 3.177bn, roughly double the previous year's trading deficit of LuxFr 1.583bn. Looked at another way, a LuxFr 40bn bill for Arbed during the 1980s—with much of it to be spent before state aids to EEC steel are banned after 1985—is uncomfortably close to Luxembourg's oil import bill, which in 1981 was nearly LuxFr 13bn.

So far the Luxembourg Government has, through various standard state aid mechanisms, been contributing between LuxFr 1.5 and 2bn of the LuxFrs 4 to 5bn being invested annually by Arbed. With the EEC Commission having in late July approved a LuxFr 12.9bn tranche of state-aided restructuring investment and scheduled by the end of September to examine the group's arguments for further spending equal to twice that amount on modernisation that should help return it to profit, Luxembourg itself is now giving careful thought to its own commitment to funding Arbed.

This year has shown a slight improvement for Luxembourg steel production, in marked contrast to the plunging output levels of the second half of 1980 and all of 1981. But Arbed is nevertheless in battered condition. The 0.6 per cent rise in steel production for the first five months of the year to 1.63m tonnes, compared to the level of the corresponding 1981 period, cannot disguise the damage done by the end of last year when steel output dropped 16.6 per cent from 1980 and steel exports by 19 per cent.

Looking at Arbed's decline in a longer perspective is similarly gloomy. In 1974 Arbed's Luxembourg steel output stood at 6.4m tonnes but by 1980 had dropped to 4.6m tonnes and last year to close to 4m tonnes. Installed capacity has been cut from 8m tonnes at that time to around 6.5m tonnes a year, while steel jobs have shrunk by 34 per cent from 29,000 to 18,900. If Arbed's further restructuring is on target, by 1984 that workforce will have been further reduced to 16,500, marking a 43 per cent job loss in 10 years.

The group's aim is to diversify into fresh high technology steel products, with its dominance of the sophisticated wire sector through Tréfilarbed and its growing importance in special steels seen as new springboards. Arbed has the flexibility of being at the centre of an international group with worldwide sales of some LuxFr 170bn a year but also the rigidities produced by formidable problems in the EEC.

Headquarters of the Arbed steel-making group in Avenue de la Liberté. The transnational group employs 53,000 people worldwide, with fewer than 19,000 actually in Luxembourg itself

Country's long list of inducements attracts funds from abroad

LUXEMBOURG can boast a number of outstanding statistics for such a small country. It has, for example, the highest standard of living in the European Economic Community. It has one of the lowest birthrates in the world. For foreign investors, however, what counts are tax incentives, access to cheap credit and other inducements that will help them earn maximum profits.

Here too the Grand Duchy stands out. Not only does it offer a long list of advantages from special lending facilities and cheap land to direct financial assistance and tax deferrals and exemptions; it happily tailors them to the needs of each new business entrant as well.

It is this flexibility that most impresses outsiders accustomed to bureaucratic rigidity and endless red tape in other countries. Even more, they are astonished at the personal attention they get from the highest Government officials.

"Each incentive is custom-designed," said a U.S. diplomat who has close contacts in the foreign business community. "Basically, Luxembourg's policy is: 'tell us what anybody else has offered you and we'll give you a better deal'."

Luxembourgers, he added, "aren't stuffy in the usual European sense. You can pick up your phone and call the Minister of Transportation and ask him to get the pothole on your street fixed."

As a result of such efficiency, he said, the time interval between a corporation's decision to launch a project in Luxembourg and the opening of the new facility is the shortest in Europe.

Government leaders make no bones about their accessibility to foreign investors. "Certainly I'd meet with someone interested in investing in Luxembourg," said Foreign Minister Colette Flesch in an interview. "It's completely normal."

Mme Flesch is a staunch believer in the adage "small is beautiful." The chief advantage her country offers big business, she said, is its smallness. "We brush aside bureaucratic procedures."

The Minister assigns her deputy Paul Helminger, Secretary of State for Foreign

Foreign investment
BRENT BOWES

Affairs, most of the work associated with luring foreign businesses. In a recent brochure Helminger assured executives he will see them anytime "in order to present in detail the advantages Luxembourg can offer to best suit your particular objectives."

For a start, the Grand Duchy will help corporations find building plots and offer them cash grants or interest rebates on bank loans for constructing and equipping plant facilities. Alternatively, it can make industrial premises available for immediate occupancy.

The state-owned National Credit and Investment Company makes available low-interest loans and export credit facilities. Newcomers can claim income tax exemption on 25 per cent of their profits for the first eight years and a 14 per cent tax credit on spending on equipment.

Aside from such state-sponsored attractions, numerous other benefits are held out by the Grand Duchy's promoters. They cite the country's centralised location in the Common Market and the ready access to its 270m consumers. They also boast of the high productivity of Luxembourg workers and the near-absence of absenteeism or strikes in the country. (A recent stoppage at the steelworks Arbed marred a 60-year record of labour peace.)

"They work harder," one foreign resident said. "The old-fashioned work ethic still exists."

Then there are the financial services offered by what is one of Europe's three major banking centres; the stability of its Government and its free-enterprise philosophy; the stringent business secrecy laws; the linguistic versatility of the population and the pleasant living conditions. This last category covers everything from clean air and good restaurants to a low crime rate and quiet side streets. "I can't think of a single American executive who's unhappy living in Luxembourg," said Matthew Ward, Commercial and Economic Counselor at the U.S. Embassy.

Luxembourg began its drive for foreign investment in the late 1950s in order to lessen the country's dependence on the steel industry, which dominated the private sector of the country's economy. This effort at diversification was stepped up with the onset of the post-oil crisis recession in the early 1970s.

Since then employment at Arbed has fallen to about 18,800 from 27,500 and is expected to decline to 16,500 by the end of next year. Officials are counting on foreign companies to take up the slack.

The Americans have been by far the biggest outside investors. Subsidiaries of three U.S. companies—Goodyear, Du Pont and Commercial Hydraulics—comprise the second, third and fourth biggest private employers. General Motors and Guardian Industries have also set up important operations.

Goodyear, the world's largest tyre maker, arrived in 1951. Since then its workforce has grown to 3,600 from 200 and daily output has climbed to 10,000 tyres from 500. Besides the tyre manufacturing unit, facilities include the company's main research and development centre outside North America, a fabric mill, a moulding plant and a steelcord plant.

Du Pont de Nemours, the Du Pont affiliate, employs 1,060 people and produces "Cronar" polyester photographic film sheet, "Mylar" polyester film and "Typar" non-woven polypropylene.

Du Pont announced in May that it will build—at a cost of about $55m—a world-scale plant in Luxembourg to produce "Hytrel" polyester elastomer, a speciality engineering thermoplastic. The new plant will have more than 100 employees.

General Motors has recently announced it will be expanding its activities and National Aluminum has said it will be putting in an aluminium mill.

Not all foreign businesses have experienced steady growth, however. Monsanto, the U.S. chemicals group, pulled up stakes a few years ago. But industry sources said the withdrawal did not result from unhappiness with Luxembourg but rather from an over-extension of Monsanto's overseas operations.

Luxembourg plays up the American connection. It has created a permanent office in New York to woo private industry and it periodically sends investment promotion teams to the U.S.

This preference reflects the country's determination to resist economic annexation by either of its big neighbours. "They don't want to become engulfed by either West Germany or France," one trade expert in Luxembourg said.

Mme Flesch contends the Americans are the natural target of the Duchy's campaigning. "When the diversification effort began two decades ago it was especially U.S. companies that sought to establish themselves in the Common Market. It was far less likely that French or German companies would set up operations so close to home."

Nevertheless, she noted, numerous European companies have opened facilities in Luxembourg and the Japanese group Fanuc recently set up a plant.

THE ARTS

Architecture

Colin Amery

The deadening hand of commerce

Without commerce there would be no art. If you wander around the City of London with its massive range of rent collecting slabs it is difficult to see much evidence of the influence of the art of architecture—commerce seems to win hands down.

It is easy for a critic to ignore the commercial pressures that so often dictate to architects but at the same time it is unfair to ignore the moderately successful buildings that do sometimes emerge from the complex planning and commercial system. The cry is so often heard that things are better ordered in America or Germany or even Japan.

I am sure that part of the success of American commercial centres, for example downtown Chicago, is because they glory unashamedly in the joy of commerce. Like the citizens of the towering city of San Gimignano there is a pleasure gained by the citizens of great American cities in the visible evidence of the sheer power of thrusting commerce.

The rival fortress houses of the Ghibellines and the Guelphs that rise above San Gimignano have a phallic intensity that makes the recent skyline of London look decidedly flaccid. London seems to put up with commerce rather than celebrate it. The opportunities to build since the last war have been muted by the English desire to compromise and contain. There is a feeling in the City that it is a place to leave as quickly as possible—the business day ends with the return journey to Weybridge.

In Edinburgh recently I was shown a major new commercial building, the administrative offices for the Royal Bank of Scotland. It is designed by the distinguished Edinburgh architects Michael Laird and Partners. This practice has, since the early 1960s, a good record of buildings for commerce and industry. Their careful infill scheme for the Standard Life Company in George Square, Edinburgh, is distinguished by its own reticence and by the incorporation of a bronze frieze by the sculptor Gerald Laing. This is a representation of the wise and foolish virgins—a parable to encourage the insurance business.

Michael Laird's Royal Bank building is situated on the northern edge of the New Town opposite the fine Georgian Terrace of Fettes Row. This is a difficult site. It would have been possible to build a pastiche Georgian terrace to satisfy the conservationists, but instead the architects were uncompromising. They have created a long low building that takes advantage of the nine metre drop in the site to keep 49 per cent of the building below the actual ground level.

As a major requirement of the brief was to house computers and data processing equipment they have been housed in controlled environments in these lower floors. Above these essential subterranean services the majority of the 700 staff work in pleasant open plan offices on the three main floors.

The building remains below the eaves height of the surrounding Georgian buildings and its sloping façade and well planted balconies give it the feel of a low slung ziggurat. It is a strongly horizontal statement—three bands of masonry and three bands of windows broken by the recessed entrance.

No one could claim that this Edinburgh building exactly glories in the exuberance of commerce—it is a rather flat statement that makes every possible allowance for the site. It does, however, manage to be an independent architectural achievement that is capable of being judged purely on its own merits.

In London office design often falls into the hands of planning consultants, firms that specialise in the technology of office life that is rather remote from architecture. Middle East Bank have recently renovated the listed Edwardian building at No. 1 Lombard Street. They chose to use the services of Jeremy Reves-Davies and his organisation Office Planning Consultants.

His task was a double one—to restore the fine banking hall and to accommodate offices, dining rooms and kitchen on the lower level. The careful retention of the plasterwork and the fine dome of the banking hall adds immediate dignity to the scheme. To match the quality of the mahogany doors and heavy plaster the designer has used fine marble for the floor, and solid and prosperous-looking furniture. The offices below in a comprehensive colour scheme of blue and grey have a pleasing order.

*

An exhibition opens in the new Cutlers Gardens development on September 28 (which runs to October 6) that aims to present the new world of the office. It is organised by the RIBA journal and Trickett Associates and is called *Good Offices*.

A special conference to discuss the influence of microtechnology on the design and location of offices will be held on September 28 at the RIBA (details (01) 580 5533) entitled *Offices—Who needs them?*

The entrance to the Royal Bank of Scotland's new offices in Edinburgh, designed by Michael Laird

Siegfried/Covent Garden

Max Loppert

In *Siegfried*, the world of Wagner's *Ring* spans its widest range. The opera begins in deceit and confusion in the depths of the earth, and ends in a burst of glorious newfound emotion on the highest heights. It contrasts cheerful candour and guileful concealement, innocent ignorance and saddened wisdom, the purest nature-rapture and the most baleful nature-negation. It is a spectacular opera that is also intimate, an opera of witty duels of minds musically, it moves from the most sulphorous chromaticism of the tetralogy to the most generous diatonic lyricism. Though (as I discover to my surprise) it is most people's least favourite *Ring* opera, it can — in the right performance—provide a cycle's most rounded experience.

Friday's revival at Covent Garden was hardly that kind of performance. In one perverse sense, the Götz Friedrich production (rehearsed by Tobias Richter) might be said to catch something of the opera's breadth of contrasts; for in it are found the most inept stage pictures of the whole cycle and also the most impressive. For the first two acts the eye struggles through the deadening grey-green tagliatelle, battling against the theatre's appalling sightlines to catch a glimpse of characters positioned at dim and unhelpful corners; then the stage opens out with magnificent imaginative daring. The effect is to make one believe that the opera is two acts of relative tedium with a thrilling pay-off—which is far less than the whole truth.

The production demands from the start the most vivid playing, singing and acting simply to counteract the lowering sight of the stage. Friday's *Siegfried* was mostly decent—no less than that, but seldom more. Colin Davis has never, to my mind, fully mastered the nervy, tritone-tainted crackle of Mime's music, never quite found the key to the dominant moods of the first act (the Wanderer's music craves a far grander breadth of statement). From the Forest Murmurs, which Sir Colin and the strings laid out as freshly and naturally as a Dvorak symphony movement, the reading began to take on lustre and buoyancy (even though, on a hot night in the theatre, the quantity of passing imperfections was unusually high, and the full ensemble lacked depth and substance of tone). The closing half-hour built up in surprising radiance, given most of what we had already heard and seen; but, like the production, the conducting gave less than due weight to the whole of the music.

John Gibbs' Alberich (more assertively projected than in *Rheingold*), Maria Szirmay's Erda (an unsettling blend of gravity and hootiness), and Lillian Watson's vibrant Woodbird were the newcomers to an otherwise long-familiar cast. The most finished contributions came from Paul Crook's Mime (less angularly dramatic, more interestingly characterised, than Ragnar Ulfung's) and Donald McIntyre—indeed, *Siegfried* is the opera in which this Wotan comes into his own, with an imposing voice and presence, and an intelligent way of reminding us that beneath the quietly humorous observer of Siegfried's progress through the first two acts waits the awesome opponent of the third.

Mr McIntyre displays in his delivery a command of the German text notably denied to Alberto Remedios' hero. In the first act the prompter sounded a continual obbligato accompaniment to Siegfried's lines, and while later pages marked an improvement, one seldom sensed that likeably direct manner of communicating with an audience that was one of the pleasures of his ENO performances in English. Vocally, greater strain shows through than it used to, although the tenor had saved something of his lyrical best for the final duet. No Brünnhilde of my experience makes of the moments of awakening a more glowing, palpably physical experience than Gwyneth Jones. Would that she sang the role as she acted and felt it!

Newport piano competition

The triennial Newport piano competition has been won by Jack Gibbons of the Guildhall School, London. The runner-up was Vivian Choi. The competition, which is for musicians under the age of 25, carries a first prize of £1,000 and a piano. It is sponsored by W. H. Smith, and this year attracted 68 entrants.

The Importance of Being Earnest/Lyttelton

Michael Coveney

While Alan Ayckbourn remains waterlogged somewhere in the wings of the Lyttelton, Peter Hall has come to the rescue of the theatre with a superbly cast and meticulously presented revival of Oscar Wilde's best comedy. As an artefact, the play has the clean and satisfying impact of a Haydn symphony. Three movements, admittedly (there were originally four but George Alexander wanted it shortened and Wilde sacrificed many wonderful lines, not to mention Moulton the gardener), yet each of them is constructed along rigid sonata form principles.

This tension between strict form and bubbling vitality is beautifully caught at the National. Victorian conventions of plotting are continuously turned by Wilde into fine moments of original comic crisis, and Mr Hall's company judge the delivery of those jewelled, studiously rounded phrases to absolute perfection.

It is almost impossible for an audience to sit through the play without hearing other voices rise up from the past, notably Edith Evans's as Lady Bracknell. But the performance in that part by Judi Dench is typical of the production's thoroughness in finding a rhythm that both belongs to the text and is true to itself. This Bracknell is non-stentorian and younger than we expect. The bloom of young middle-age still clings to Miss Dench's plumpish, maroon-costumed salon queen.

There is a hint of insecurity in her eyes, but never in her voice. The inquisition of John Worthing is brilliantly handled, the revelation of his improvised cradle on Victoria Station met with a deafening pause, the removal of a pair of spectacles and an expression of steely distaste on "A handbag?" But the scene runs on, gathering force until Miss Dench, overcome with shock and confusion, tears up her prepared questionnaire. The round of applause she wins on the exit is as deserved as it seems to be built into the dialogue.

The four young lovers are similarly released from the bondage of memory by sensible, affectionate playing. Nigel Havers and Martin Jarvis are a well contrasted couple as Algernon and Jack. Neither actor has to strain for the correct period inflections. Mr Havers, slim, boyish and pleased with himself, is indeed one "who has nothing and looks everything." Mr Jarvis, while sporting a Gielgudian profile, squints nervously from behind small round spectacles and makes perfect sense of his difficult speeches at the end about knowing he was appropriately christened all along.

Elizabeth Garvie is bright and resourceful in the comparatively thankless role of Cecily, while Zoë Wanamaker descends on Gwendolen with a relish that makes it clear that there could be no confusion as to *her* parentage. One of the incidental pleasures is the strong picture both Gwendolen and Lady Bracknell leave behind of poor old Lord Bracknell, dining alone as often as not and excusing himself from their company on grounds of ill health.

John Bury has designed three handsome settings including a glassy-floored garden at the Manor House with a pleasant background silhouette of the village and a large hanging bough. The third act drawing room becomes an airy breakfast room with wooden ecclesiastical arches and an enormous, stylishly potted indoor plant.

This helps create a believable milieu for Canon Chasuble and Miss Prism. They really belong in this slightly faded, solid environment. Anna Massey's Prism is a waif-like ruin of distracted gentility; Paul Rogers as the Canon creeps about with gentle stealth and greets the supposedly dead brother with a vague semaphore routine that is a triumphant culmination of years of despondent fidgeting.

Alastair Muir

Judi Dench and Zoë Wanamaker

Peer Gynt/Orange Tree, Richmond

Rosalind Carne

The search for the Gyntian self has always left me with a sour taste in the mouth, and this small-scale pub production confirms my worst fears. Perhaps the Royal Shakespeare Company version, which I have not seen, will offer a new perspective on the work. Until then, I blame the author. Being a fiendishly good writer (I don't know whether to damn him or to bless his cotton socks) Ibsen actually draws out our sympathy for, and identification with, this unpleasant young man.

Peer may be a charmer, a joker, a victim and a weaver of dreams, but he is also, more significantly in my view, irresponsible, self-centred, and immoral. In some respects he is a universal figure. In crucial respects, he is inescapably male. It is hardly surprising that Ibsen became involved with the woman question, for the play reeks of contradictory attitudes, fear of, and fascination with, the opposite sex, coupled with an obsession with the mother and the untouched virgin. The problem may have rubbed off on the cast, for the female performers showed less assurance than I have come to expect in this theatre.

Among the seven strong cast, Will Knightly stands out for his immensely varying interpretations of several parts, and, particularly, for his smiling, spine-chilling Button Moulder.

Philip McGough darts through the central role with a credible, fleshy appeal. He almost sustains interest for three hours, but lapses towards the end when he starts to play more openly towards the audience, seeking laughs. Tension slackens, and offstage actors, seated around the edge begin to let their eyes wander away from the performers.

The minimalist approach to the classics focuses attention on every line.

French & Finnish/Wigmore Hall

Dominic Gill

For all the claim implicit in its pretentious title, Les Musiciens (as this French piano trio chooses to call itself) is not a very memorable ensemble. Individually the three players, all with solo careers, are sound enough: Jean-Claude Pennetier is a pianist of some standing, and Régis Pasquier and Roland Pidoux are first violinist and first cellist respectively of the Orchestre National de France. Together they make a threesome, but not yet a trio: the overriding impression of their London debut on Saturday night—much heralded by publicity from Capital Radio (who will broadcast the concert) and Harmonia Mundi (who make the records) — was of three separate musicians, each playing away for all he was worth, with little to bind them except the basic obligations of synchronicity.

At no time during the evening was there evidence of real (in the interpretative sense) musical listening. M. Pennetier in particular has exceptionally strong fingers, and he charged through every crucial meeting-point of the music as if neither of his partners existed; the concert was dominated, and from time to time submerged, by the fiercest piano playing I have heard from any piano trio in years. By the second line of the first page of Schubert's E flat Trio, M. Pennetier had reached the triple-*fortissimo* that he was to hammer out consistently, at every appearance of a dynamic louder than *mezzoforte*, for the rest of the piece.

Les Musiciens relied by and large on two distinct and contrasting types of musical treatment: dreamily lyrical (prettified with plenty of rubato) and pungently, manically assertive. In their account of Brahms's C major Trio op. 87 there was little in between these extremes: a first movement of frenetic effusiveness, a second of sugar-spun soulfulness, a *giocoso* finale of rabid defiance. Even in Ravel's lovely trio, for which The Musicians somewhat modified their expressive stance, there was much that was either undernourished or terribly overblown: the very first climax of the opening Modéré almost raised the roof with its savagery. Such interpretative hysteria may be tolerable when it is balanced and calmed by a sensitive recording engineer: but live and in the flesh, it is devastating.

*

The previous evening in the same hall, the leading dramatic soprano of the Finnish National Opera, Taru Valjakka, gave the first of four song recitals by various artists to commemorate the 25th anniversary of Sibelius's death. Jean-Claude Pennetier played to the Wigmore Hall as if it had been the *Palais des congrès*; Miss Valjakka sang as if she were in the opera house, and in such an intimate venue the effect was no less overwhelming.

Both of the groups of Shakespeare and Rilke songs by the Finnish composer Einhojuhani Rautavaara (b.1928) with which she opened her programme would have sounded bombastic and inept in any context—most remarkable, and almost refreshing in its absurdity, was a setting of "Shall I compare thee to a summer's day?" to a kind of Finnish Charleston. But she also gave Berg's haunting group of Seven Early Songs with precisely the same irrepressible gusto, almost burying "Die Nachtigall" under a niagara of lusty scooping. Her delivery of three sets of Sibelius songs was unremittingly monumental—even that almost pathological desire which she aroused in her listeners as a result for just one tiny phrase of *piano* or *mezzopiano* before the evening's end was grandly denied.

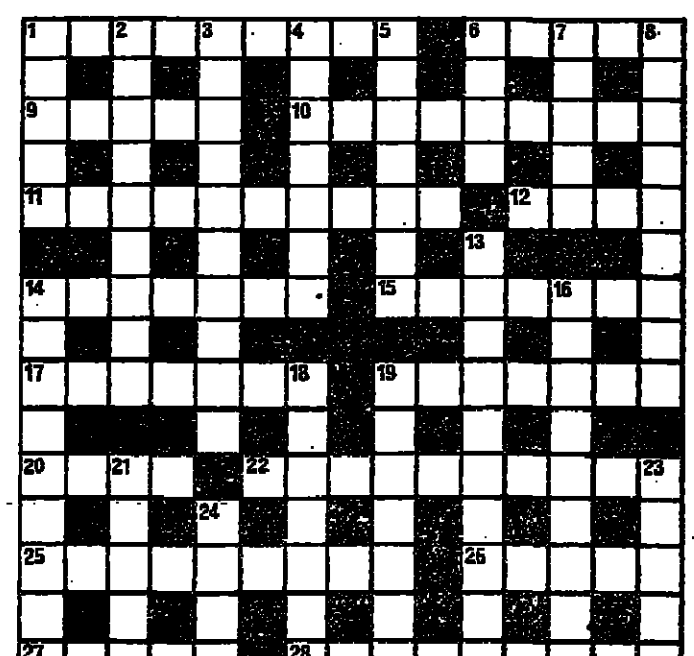
IBM Celebrity Recital Series

Harold Holt, the artist and concert agency, has announced that IBM UK is to sponsor a series of ten recitals by leading artists.

The series, to be entitled the IBM Celebrity Recital Series, will take place in the 1982/83 season and will comprise five recitals at the Royal Festival Hall and five in Cardiff, Birmingham, Leeds, Manchester and Portsmouth.

The artists featured are Dame Janet Baker, Vladimir Ashkenazy, Daniel Barenboim, Itzhak Perlman, Isaac Stern, Mstislav Rostropovich and Pinchas Zuckerman.

F.T. CROSSWORD PUZZLE No. 4,978



ACROSS

1 Church leader to curb the hotheads (9)
6 Material dug up the other way (5)
9 Island creature (5)
10 Smuggler sprinting oddly (3, 6)
11 Finished full of resolution (10)
12 Quick look we hear at dog (4)
14 Trouble about right of fellow trade-unionist (7)
15 Impassive way round one American state (7)
17 Clash or confusion created by pupil (7)
19 Fashionable sound daughter chanted (7)
20 An old railway charity (4)
22 Poker hand causing red faces at the palace (5, 5)
25 Take down cloak for old Nick (9)
26 A position Pole finds strange (5)
27 B - - - - - euphemistically glowing (5)
28 Colourful ambition of Student Prince (5, 4)

DOWN

1 Doctor the two of us would cut (5)
2 Violet given something beastly to bite on (4-5)
3 Profit on share of ticket home (6, 4)
4 Barker soldiering part time (7)
5 They jump about in baby clothes (7)
6 Part of organ that takes some beating (4)
7 Not a Church member for time being (5)
8 Astonished poet before journalist (9)
13 Postman's habitual strong suit? (4, 2, 4)
14 Barts deny upsetting spectator (9)
16 A club in no new order of marriage (9)
18 Duck included in list is another bird (7)
19 My gear I disposed of in figures of speech (7)
21 Reflected on a thousand spent (5)
23 Begone therefore (5)
24 Cautious route round river (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

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An outrage in Lebanon

THE HUMAN tragedy of Lebanon has become so vast and the crimes committed against civilians so numerous, that the international community has an overwhelming duty to act swiftly and decisively to halt the bloodshed.

As an immediate step the French, Italian and American troops, who recently monitored the withdrawal of PLO fighters from Beirut, should be re-deployed in the capital. They could later be joined by some of the 7,000 United Nations troops already in the south of Lebanon.

Next, there must be intense international pressure to secure the withdrawal from Lebanon of all foreign forces. Both Israel and Syria have attempted to justify their occupation of Lebanon on the grounds that they were helping to re-establish order. Both have demonstrably failed and, if anything, their presence and attempts to impose a political solution have served to exacerbate sectarian strife. They should go just as rapidly as non-partisan international forces, together with the UN and Lebanese Army troops, can be brought into position.

Third, the disgust and recriminations which will inevitably flow from the latest Beirut tragedy, must not be allowed to deflect the voices of sanity and moderation which still insist that there can be a negotiated settlement to the problems of the Middle East.

It may not be posible to prevent Friday's massacre of Palestinians in Beirut from provoking a wave of retaliatory outrages. But in the longer term the only hope of isolating the men of violence will rest with the determination and political courage of the one nation which can exercise any real leverage on countries in the Middle East.

President Reagan has placed an American plan on the table. King Hussein of Jordan has welcomed it, and other Arab States have not rejected it. The best memorial for all those who have died in Lebanon this summer is that these proposals should be treated as a just and serious basis for negotiation.

An unhealthy wage dispute

A CHARACTERISTIC of the present British Government is that it does not automatically respond to a troublesome pay dispute by seeking to buy it off with an offer of more money. It is probably that this anti-inflationary approach is beginning to be understood in the country at large.

That is one reason why the Government is right not further to increase its offer to the nurses and ancillary workers in the health service. There are others. The health dispute, in which settlements should have been reached in April, really belongs to last year's pay round. In that round, other public service groups, such as teachers and the civil servants, accepted increases of around 6 per cent. The Government's improved offer of 6 per cent to the ancillary workers and 7.5 per cent to the nurses—plus a little more from a juggling of the figures last week—does not compare unfavourably.

In the new pay round, which opened this month, the Government is seeking settlements rather lower than in the last: the guidance, if that is not too strong a word, for the public sector is around 4 per cent. Thus for the Government to concede more to the health service than has already been offered, even though it could be claimed to be part of last year's settlement, would be to set an uncertain signal for the future. Such a concession would also be ill-received by the private sector where some recent pay settlements have been lower than in the public and where in some cases there have been no increases at all.

That is the case for the Government's defence. Yet, the general theory apart, it cannot be said that the Government has handled the matter well. The dispute has dragged on so long that working relations within the health service have deteriorated still further, patients have been affected and an otherwise divided trades union movement has found one cause on which to unite: hence the day of action in support of the health workers on Wednesday. Mrs Thatcher's claim that the nurses have done better under the Tories also looks questionable when it is recognised that about half their pay increase since 1979 came from the Clegg award which the present Government inherited.

Recourse to arbitration, which might have been the best way forward after the Government had made its original offers, is now out, if only because the tendency of arbitration is to recommend more than is already on the table. But there are two other possible approaches.

The Government could take a leaf out of Sir Michael Edwardes's book at BL and start paying the increases which have already been offered in the hope that the dispute will then peter out. More important, and in no way incompatible, it could produce its own ideas on a new mechanism for negotiating pay in the health service in future. Mechanisms, allowing for a degree of comparability with other jobs, already exist for the firemen and the police. The Government suggested something similar for the health service as long ago as mid-1980. It blames the lack of progress on the unions. It should now come out and say more precisely what it has in mind.

Bonn's coalition falls apart

A BY NOW familiar dilemma over economic policy has finally provoked the breakdown of the liberal-social democrat coalition which has governed West Germany for 13 years. Is protracted world recession the moment when Germany's social security system comes into its own, when it must be financed at all cost? Or can economic realities no longer sustain a system designed after a *wirtschaftswunder*, and must Bonn embrace a shade more rigour, a greater degree of risk and reward, to rediscover the upward path?

After months of vacillation by the liberal Free Democrats, their Economics Minister, Count Lambsdorff, publicly endorsed the second course and thus provoked final rupture with the Social Democrat chancellor Helmut Schmidt.

The prospect of economic growth of only 1.5-2 per cent in 1983 and of unemployment in West Germany rising to 2m prompted the two men to move in opposite directions. Count Lambsdorff produced an economic blueprint stressing public sector investment coupled with savings on social benefits, reductions in tax disincentives and cuts in unemployment pay. But the Chancellor, in his state of the nation address, came out in favour of increasing taxes on higher income earners to help the State make ends meet.

Count Lambsdorff's suggestions are by West German standards extreme and it is politically unthinkable that they will be implemented in full, yet they point in the right direction. There is undoubtedly fat in the range of social benefits which he attacks. There are symptoms of inflexibility in the German economy, even of mild economic decadence. The dithering over the reorganisation of AEG-Telefunken has provided an example in recent months.

West Germany's valuable social consensus must be maintained in tackling these symptoms. This means that a change of Government via elections is greatly preferable to one by means of the "constructive vote of no-confidence" provided in West Germany's elaborately engineered constitution.

A mechanistic transfer of power would only extend the period of pre-election uncertainty and compromise. It would leave many German voters feeling that Chancellor Schmidt had been betrayed and then removed by a constitutional device. If such a device must be used for party political reasons the conservative Christian Democrats must undertake to follow it immediately with elections. But an election to decide the next Government is the best choice of all.

WEST GERMANY

A new political era opens

By Jonathan Carr in Bonn

WEST Germany is entering a new political era—the third since the country was founded in 1949.

The first, under Christian Democrat (CDU)-led governments lasted 20 years, brought economic reconstruction and firm membership of the western community. The second, under a Social Democrat (SPD)-liberal Free Democrat (FDP) alliance which has just collapsed, brought intensive social reform and the "Ostpolitik" drive to improve relations with the countries of the Communist East.

What can be expected of the third, which may begin as early as this Friday through a parliamentary vote, toppling Chancellor Helmut Schmidt and replacing him with a CDU head of government in Dr Helmut Kohl?

There are still quite a lot of people in Bonn after the last dramatic and emotionally exhausting days who find it hard to face the question at all. The SPD-FDP coalition was extraordinarily durable. It often pulled back from the brink when its breakdown seemed imminent—and in Herr Schmidt it had a leader of outstanding popularity at home and widely admired abroad. The collapse, although widely prophesied, was nonetheless still hard to believe when it came.

Even some of those close to Herr Schmidt, who witnessed the growing estrangement between the coalition partners over months, culminating in a cabinet session last week of chilling, because understated, fury—confessed to seeing the final public break as though in a bad dream.

There were the four empty seats on the government bench in the Bundestag (lower house), occupied for years by FDP ministers who had now stepped down. There were Herr Schmidt and the FDP leader, Herr Hans Dietrich Genscher, coldly making what amounted to accusations of betrayal to one another, after eight years of co-operation as Chancellor and Vice-Chancellor.

There were the shocked faces of at least some in the FDP, who remembered the parliamentary victories, above all in the heady, early days of the coalition under Chancellor Willy Brandt. And there sat Herr Herbert Wehner, ex-Communist, architect of a modern, non-Marxist SPD which could have broad voter appeal, gazing before him with a face of stone and looking old beyond his 76 years.

Yet as well as the bitterness and regret there has been another emotion in curious contrast—a sense of release. This is partly because a clearly untenable situation, marked by almost non-stop coalition bickering at least since the general election of 1980, has at last been resolved.

But beyond that, there are signs of sheer exhaustion throughout the Government, above all among those who have fought to resolve the growing economic, financial and social problems which themselves have been the key cause of the coalition's decline and fall. On top of that, Herr Schmidt set a particularly fierce work pace and spared no one, least of all himself. "In the past five years I have aged 10," said one senior official ruefully at the weekend. "Let the other boys have a go — and I wish them luck. It will be tougher than they think."

There is always the possibility — albeit remote — of Dr Kohl and his allies having power taken from their grasp in an election by an arrangement of unstable groupings on the left. But on the assumption that Dr Kohl does take over Government one thing seems certain: he will bring in no drastic policy swing comparable to that introduced by Mrs Margaret Thatcher's Conservative Government in Britain, by President Ronald Reagan in the U.S. or—a switch in the reverse direction —by President Francois Mitterrand's new socialist broom trying to sweep clean in France.

Despite all the talk from Dr Kohl, about the country needing "a new start," the key to success in German politics remains the ability to attract the middle-of-the-road voter. In the 1980 general elections the SPD-FDP together showed they were more capable of doing that than the CDU and its Bavarian sister party, the Christian Social Union (CSU).

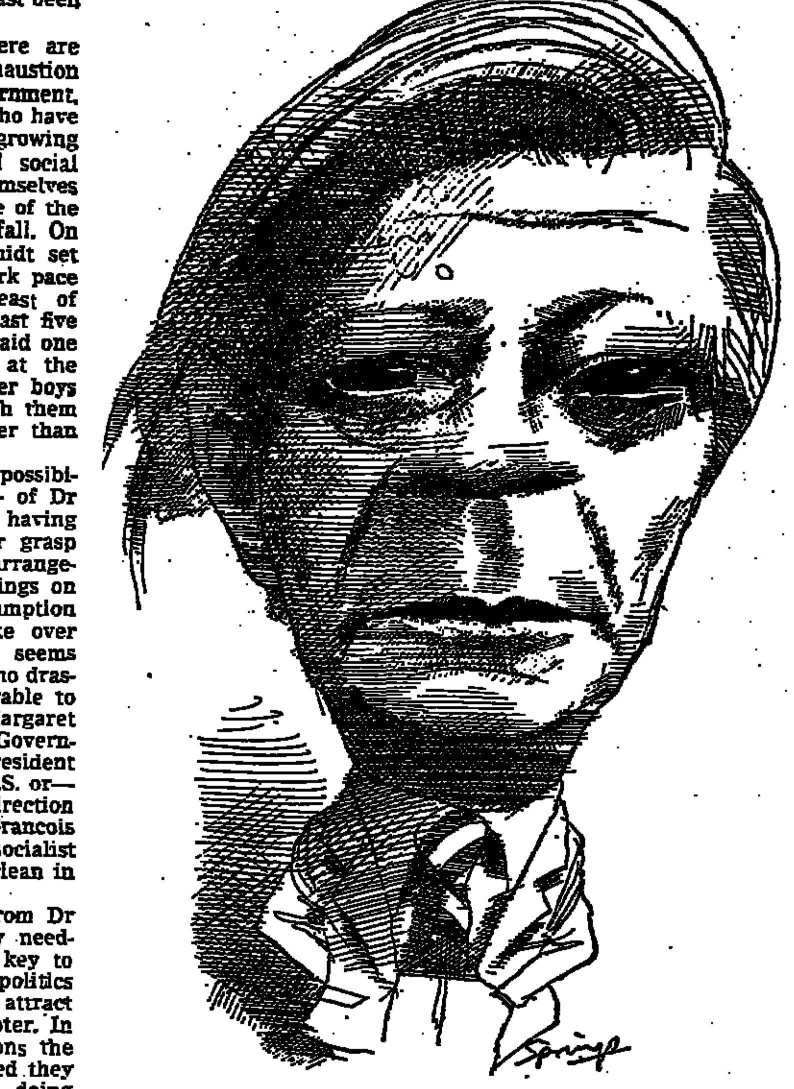
For one thing, many voters saw in the FDP and in Herr Schmidt personally, a guarantee against a swing too far to the left. For another, some voters, inclined to feel the time had come for a change in Bonn, nonetheless feared there would be too far a swing to the right under Herr Franz Josef Strauss, the fiery CSU leader who had been accepted by both Union parties as chancellor candidate.

Since then two key developments have changed the political situation. One was the emergence in Germany (and elsewhere) of the longest postwar recession, taking unemployment close to 2m, increasing the strain on state finances, and undercutting support for the government parties.

That matters more to the FDP than to the SPD. The liberals usually only gain up to about 10 per cent of the vote anyway, and under German law parties which win less than 5 per cent cannot have parliamentary seats. Thus the FDP had deep and growing fears for its existence, and saw a move to alliance with the CDU as a possible way of boosting its prospects.

The other development was the re-emergence of Dr Kohl as the most likely chancellor candidate in place of Herr Strauss.

Ability to attract the middle of the road voter remains the key



Chancellor Schmidt's coalition collapsed amidst bitterness, regret and a curiously contrasting sense of release

Dr Kohl is a man of the dead-centre in politics—a big, genial, ex-Prime Minister of the state of Rhineland Palatinate, and thus a more acceptable partner for the liberals. The country now faces the early prospect of a CDU-CSU-FDP coalition, at least until new general elections are held in the next few months.

But even if the FDP failed to clear the five per cent hurdle in the elections and did not return to government, CDU-CSU policy in Bonn thereafter would not be dramatically different.

The Union itself is a kind of coalition, embracing very different groups from left and right. Its only real hope of unity is to have a strong man of the centre to find a balance between these conflicting pressures. Dr Kohl's political opponents (some of them in his own party) say he is not such a man and—inevitably — compare him unfavourably with the party's outstanding founder and the country's first Chancellor, Dr Konrad Adenauer. However, Dr Kohl has been head of the CDU for nearly a decade (despite all his rivals), he fought a strong election campaign in 1976, gaining 48.6 per cent of the national vote, and he now seems to have within grasp the chance to show his many critics that they have underestimated him.

None of this implies there will be no change at all, on the assumption Dr Kohl forms a Government. It is quite possible that business and industry, long complaining about the extra burden in social security and other costs to emerge under the SPD-FDP coalition, will receive a boost to confidence. The sharp rise in share prices last Friday following word of the coalition's collapse indicated as much. But any euphoria may prove short-lived.

It is certain that the CDU-CSU (plus the FDP) will take action to trim the social security system, cut subsidies (which will not please all industrialists, but will help state finances) and try to encourage more investment through tax cuts. But it is already clear that the comprehensive slimming cure for the state, proposed last week by the FDP's ex-Economics Minister Count Otto Lambsdorff, will not find full support in the Union either. A package of "corrections and adjustments" seems likely to emerge which will amount to quite a lot more than the SPD would have accepted, but quite a bit less than Count Lambsdorff would have liked.

If that assessment is accurate, it implies that German businessmen will feel happier than they otherwise would have been if the SPD-FDP had stayed on. But unless other things, largely beyond the government's control, change for the better too, then the overall economic outlook will not be much different.

A new government may be able to cut state borrowing a bit, thus taking pressure off the capital market and easing pressure on interest rates. But it will be no more able to influence the development of U.S. rates, which have a major influence on those in Germany, than was its predecessor. Nor will it be able to force other countries to buy still more German goods (and some one third of Germany's GNP goes to export) than they do already. Nor can it influence the price of energy and raw materials on which the country is so import-dependent.

It is hardly a criticism of an incoming government to imply that it may marginally improve the economic performance of a country which, with a bit more than 5 per cent inflation, a little less than 2m unemployed, a record trade surplus and a declining current account deficit, is already doing relatively less badly than most other industrial states. It is simply worth underlining that West Germany does not have much room for independent economic manoeuvre—and that this applies in large measure to broader foreign policy too.

The CDU-CSU says it will act to strengthen Bonn's ties with the U.S., and it is true that the persistent criticism of Washington, from the SPD's left-wing above all, was an irritant for years. There could well be some improvement here. On the other hand, almost all Western European countries are now grappling with the U.S. on issues in which trade and politics are closely linked. The Germans are not likely to become a clear exception. For example, Washington would find a new Bonn government no more ready to drop adherence to the controversial gas pipeline deal with the Soviet Union than was the old one. The CDU-CSU argument is that it would probably not have become involved in the deal in the first place—but that contracts which have been signed must be respected.

Looking East, the "Ospolitik" has become much less controversial domestically than it was a decade ago. The Union says it will respect the treaties which have been signed by the SPD-FDP government, that it aims for a "constructive dialogue" with Eastern Europe and the Soviet Union—but that it will negotiate more realistically than its predecessor. In EEC matters, the CDU-CSU has long criticised the government for failing to promote European unity more energetically. But again it is not clear that the new administration will be more effective in pressing for reform of the Common Agriculture Policy (CAP), for solution of the Community's budget problems or in seeking further development of the European Monetary System.

Is the comforting but unexciting message, then, that this third era of West German politics will be one of consolidation? Broadly it is—but with three important warnings.

The first is that the new elections could produce a result promising anything but stability and consolidation. The above has been written on the assumption either that a CDU-CSU-FDP coalition continued after the elections, or that the CDU-CSU would gain an absolute majority and govern alone.

But it is also possible that "the Greens"—the amorphous movement embracing ecologists, critics of NATO and so on—might gain parliamentary seats while the FDP got none. This could just open the door to a government formed between the Greens and an SPD which had swung to the left, or to an SPD minority administration tolerated by the Greens.

Sharp increases in unemployment could bring serious unrest

This is not very likely, partly because the Greens, who differ markedly from one area of the country to another, would have grave problems presenting a united front in a nationwide election campaign.

But it is not impossible, and one international factor—the second warning point—might well help them. This is Nato's so-called "twin track" decision, under which new U.S. nuclear missiles will have to be deployed on European (mainly German) soil from the end of next year if superpower negotiations fail. As the deadline approaches, opposition to deployment seems bound to rise and could help unite the Greens and other groups.

Finally, an era of consolidation presupposes that the present recession throughout the western world does not turn into deep depression. Senior members of the present government note that there is now an accumulation of world economic, financial and political risk of a kind not seen at least since the 1930s. Further, sharp increases in unemployment could bring serious social unrest.

This is a problem for the West, not Germany alone. But the Germans are the most sensitive to it. As they make their marginal shift from the political centre-left to the centre-right, they are haunted by the old ghosts of their first, failed experiment with democracy under the Weimar Republic.

Men & Matters

High rollers

A $2bn poker game is drawing towards its climax this week. The chief executives of the two large U.S. corporations involved know that the outcome will depend in large measure upon their ability to outbluff each other.

William Agee, the 44-year-old chairman of Bendix, has already shown his hand by buying voting control of Martin-Marietta in the small hours of last Friday. He challenged Thomas Pownall, Marietta's chief executive, to go ahead with his threat to buy control of Bendix even if Agee had already bought control of Marietta.

The wild card in Pownall's hand is a provision in Maryland state law which says that a board like Marietta's cannot be changed without formal approval at a shareholders' meeting. That, he says, means he can throw out the Bendix board before Agee can give him his marching orders.

The two are an unlikely pair of combatants. Agee has seldom been far from the news since he took over at Bendix in 1977 when his predecessor, Michael Blumenthal, went on to join the Carter Administration. He has been successful in his job but his decisive style has made him enemies.

In sharp contrast Marietta's executives have shunned publicity in the past and have kept away from the rough-and-tumble of contested takeovers. Pownall, a 60-year-old, took over as chief executive last April. The ferocity of his counter-attacks has startled Bendix.

Agee's proffered olive branches have been rudely ignored. And Pownall has approached both United Technologies and LTV in the search for possible alternatives.

Wall Street first assumed his counter-bid for Bendix was sheer bluff. Now no one is sure.

The crunch might be averted if the Bendix shareholders agree tomorrow to change their company rules.

Also, no one is forgetting that Harry Gray, chairman of United Technologies, and past master of the takeover, is still prowling around the game and trying to peep at both players' cards.

If there is a showdown the loser will not retire empty-handed. When the battle started one of the first actions of both sets of directors was to sign themselves handsome employment contracts.

Welcome quiet

One aspect of Wednesday's threatened day of action causes wry amusement in Whitehall.

Union leaders decided the print workers should make their gesture on Tuesday. They reasoned that this would mean no morning papers on Wednesday. But there would be publication on Thursday in time to give ample coverage of the events of the day of action itself.

That reasoning has overlooked the fact that September's unemployment figures are due to be published on Tuesday. On a normal Wednesday morning they would have been given front-page treatment and would immediately have become the peg for a new round of speeches lambasting the Government.

Moscow gold

One of the finest features of County Hall on the south side of Westminster Bridge is a ceremonial staircase with wrought iron gates and copious marble which is only used on high days and holidays.

Nowadays County Hall has become the dedoubt of the socialist Greater London Council under its left-wing leader Ken Livingstone. Defiant upon the battlements is an enormous sign facing the Houses of Parliament and reminding all MPs how many unemployed there are in London.

However, such aggressive socialism does not deter Ken and his councillors from opening up the posh staircase for council meetings. They climb its flights with pride.

A television company preparing a documentary programme for the new Channel 4 is also interested in the staircase and has been measuring and photographing it with a view to hiring it as a film set.

The planned film is The Last Days of Stalin. The GLC staircase is reckoned among the best substitutes to be found in London for a Kremlin interior.

Will Ken Livingstone get the message—or get a part in the film?

"There's an SDP candidate in my seat."

BL converts

Austin Rover insists that a competition to design an open MG Metro sports car and a "leisure" vehicle based on the Rover saloon car is not an extension of the great BL economy drive. The results of the contest are now on display at the BL Heritage motor museum in Syon Park, London.

Ray Horrocks, BL Cars' chairman, was seen poring over the drawings with Roy Axe, the jovial ex-General Motors man who took over as Austin Rover's director of design earlier this year.

Axe was highly complimentary about some of the entries, particularly the Multi Role Rover —a splendidly aerodynamic device apparently the product of the union between a drag racer and a bread van.

That entry won for Gavin Page, a 27-year-old freelance designer, first prize in the professional section.

What are the chances of such ideas reaching the assembly lines? Practical and attractive as both winners were the answer is—minimal.

The next one—the LM 10 hatchback—is due in March. Some sneak photographs have produced uneasy feelings among motoring buffs that, against a host of attractive new models from rivals, LM 10 might lack sparkle.

"Not to worry" says Axe. All the snaps have been of prototypes or cars in disguise. "The car in its final form is very different—a much nicer proposition altogether."

Shell-like

Knowledgeable conchologists are sure that the British Prime Minister's name will help her in her visit to Japan.

The Japanese Wonder Shell is also called — wait for it — Miraculous Thatcheria. Sea Shells of the World by Gert Lindner (Blandford Press) tells me that it is a thin shell with a striking pagoda-like spire, a smooth surface, and with very fine ornament.

The outside is pale sandy-yellow and it is found in the coastal areas of southern Japan.

Observer

FOREIGN AFFAIRS

The Ten in a leaky bathtub

By Ian Davidson

WHEN THE Foreign Ministers of the European Community gather today for a meeting on foreign policy co-ordination, the top of their agenda will be the subject of European-American relations.

Now, according to Sir Roy Denman, EEC Ambassador to Washington, these trans-atlantic relations are currently going through their roughest patch in living memory. That may be a bit of attention-seeking hyperbole — Sir Roy has never been one to speak in undertones — but the crisis over the Soviet gas pipeline, over European steel exports to the U.S., and more generally over President Ronald Reagan's pugilistic attitude to the Soviet Union, is certainly serious, and likely to get worse.

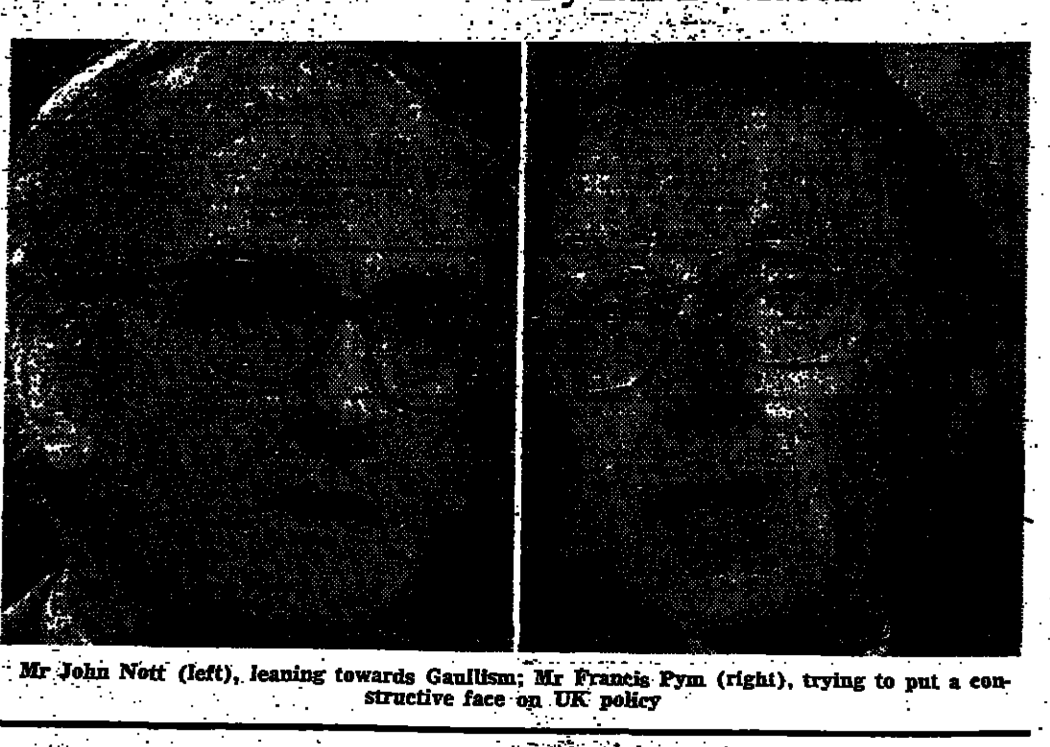
It is likely to get worse because, if there is one constant in the recent pronouncements of administration officials—and there aren't many — it is that Ronald Reagan is not about to modify the basic thrust of his anti-Soviet policy, and that if the Europeans want him to drop his pipeline sanctions, they will have to come up with some alternative economic sanctions.

The Europeans are equally adamant that Reagan's policy is all wrong, and while some governments, like the British, would like to soft-soap a way out of the crisis, by talks and meetings and committees, it doesn't seem as though that approach is likely to make much headway. What looked at first like an error of communication (over the gas pipeline) now looks more like a conflict of principle (over the basic ground rules for East-West policy).

If so, and if both sides remain as stubborn as looks probable right now, a number of questions follow.

First, will the quarrel escalate, with controlled economic retaliation against the U.S., or will it be confined within the bounds of diplomatic remonstration, as in the Denman speech?

Second, if European governments believe that the quarrel is not the product of a passing gaffe stiffened by pride, will they start surreptitiously to re-examine, however tentatively, some of the basic premises which have governed trans-Atlantic relations for the past 35 years?



Mr John Nott (left), leaning towards Gaullism; Mr Francis Pym (right), trying to put a constructive face on UK policy

Third, supposing that they conclude that these premises are irremediable facts of life which should not be discussed even between consenting adults, will they nevertheless wonder whether the transatlantic crisis does not call for a serious effort to strengthen and improve relations between themselves, notably but not exclusively in the framework of the Community?

On balance, it seems probable that both halves of the alliance will try to avoid any escalation of the specific trade conflicts. But the answers to the other two questions are rather harder to call. On the one hand, there is greater uneasiness in Europe over America's military and geo-political posture than for many a long year; yet it is so hard to think of any modification of the basic alliance relationship between Europe and America that would not make matters worse, that most governments will prefer not to think about it at all.

On the other hand, the profound flaws and fissures within the European Community have been with us for a decade; and yet pessimists fear that, before the year is out, the Ten will have marched ineluctably into a crisis over the Community budget, over the accession of Spain and Portugal, over the future of the common agricultural policy, which may rival their quarrel with the U.S.

Given all the controversy about nuclear weapons, however, it is impossible for governments not to be concerned about the alliance relationship. The British Labour Party is committed to a policy which would get rid of British nuclear weapons and evict American nuclear weapons from these shores; even if this policy did not lead to Britain's departure from the alliance, it would certainly deliver a reeling blow to the structure of Nato. Mr Egon Bahr, erstwhile midwife of West Germany's Ostpolitik, has advocated that his country should be a nuclear-weapons-free zone; even if such a policy did not lead to German neutralism, it would require a radical rewriting of Nato's strategy of flexible response to any Soviet aggression.

Most striking of all is the admission in The Guardian a week ago by Mr John Nott, British Minister of Defence, that he is a Gaullist, and that the Government is buying the Trident submarine missile system for Britain, but not for Nato. From one point of view, he is saying nothing new. A nuclear force as small as Britain's could only be fired once, and it is inconceivable that it could be fired before the last possible moment; its only function is to deter an attack on the UK.

What is new is that John Nott is the first British minister to admit to a truth which has hitherto been veiled in alliance hypocrisy. President Kennedy agreed to sell Britain the Polaris missile only on condition that it was publicly assigned to Nato, and subsequent British governments have played along with this charade.

Mr Nott's new-found candour may be thoroughly praiseworthy: a nuclear doctrine based on hypocritical assurances of commitment is liable to lead to tears before bed-time. In the immortal words of Fats Walter:

Be sure it's true,
When you say "I love you."
It's a sin, a double sin to tell a lie.

In the same way, if the controversy over the credibility of *America's* commitment to protect western Europe with nuclear weapons leads to a serious effort to put the problem right, that will be all to the good. At the same time, however, it must be recognised that, in political terms, Mr Nott's truth-telling is not neutral: coming *before* any rectification of the problems of extended deterrence, it represents a distancing of Britain from the United States which may be symptomatic of the current stress in trans-Atlantic relations.

The doubts about the credibility of flexible response and extended deterrence are primarily European doubts. As one prominent American analyst put it to me the other day: "We don't have serious difficulties over the credibility of the doctrine, and we don't think the Russians do either; it's you people who have the problems." If there is a main-line view among European thinkers, it is that the problem can probably be handled by cutting back on Nato's dependence on tactical nuclear weapons, especially in forward areas, and by beefing up the alliance's conventional defences.

The implication of this recipe is that in future the Europeans must depend less on the Americans and more on themselves for their own defence, since there is no chance that the Americans will increase their troops in Europe. There is great controversy whether the stiffening of Nato's conventional arms would have to be massive or marginal. But in the current state of national finances, even a marginal increase would be a struggle, if it is conceived of as doing what everyone is doing now, but a bit more so.

Getting more bang for the buck may require a radical rethink of national roles and of national arms procurement policies. The price for a more reassuring conventional nuclear balance and reduced dependence on American nuclear weapons, may have to be a more integrated approach by the European members of the alliance.

In the best of times, that would call for a considerable effort of political commitment; what we face, in the European Community, is the danger of political fragmentation. The argument over Britain's demand for a rectification of its excessive contributions to the Community budget has been going on for so long that it is tempting to believe that the quarrel this autumn will be as bad as before but no worse. Unfortunately, the circumstances are worse.

In the spring Mrs Thatcher was forced to accept half a loaf for this year's compensation, but the Germans screwed back their own contribution, and there is still no agreement on who else will pay for it.

The German political scene is in uproar mainly over the degree of economic austerity required. President François Mitterrand came to power with a healthy budgetary balance and large if windy hopes for the Community; 18 months later, he has blued his legacy on the trinkets of nationalisation, and is trying to put the country back on short commons.

Anyone who wants to wrestle with the details of the British-EEC budgetary problem, can hardly do better than read Geoffrey Denton's recent study*; its only defect is that, even in 160 pages, the details remain fiendishly complicated. To my mind, these complications suggest that the budgetary argument is really a symptom of a much deeper malaise. The Ten have set out to sea in a leaky bathtub, the wind is rising, their feet are getting wet, but they still haven't decided where they are going.

We have free trade in goods (sort of), but not in services. We have a common policy for agriculture, but not for anything else. We have a European Monetary System (sort of), but no convergence in economic policy or performance. A long-standing if deplorable convention on the way decisions are taken (the national veto) has been swept away, but nothing has been put in its place. We have a European Council which has been reduced to a court of appeal for the mercantilist bickerings lower down, but there is no consensus on the degree of commitment to common interests. That is why there is a budget crisis.

Mr Francis Pym, Britain's Foreign Secretary, is doing his best to put a constructive face on UK policy towards the Community; yet he still says the budget problem must be solved first. We need a larger debate than that. What should come first, it seems to me, is some serious thinking by European governments of the nature of their relationship to each other and to the United States.

* *The British Problem and the Future of the EEC Budget, by Geoffrey Denton. Federal Trust/TEPSA report £10.*

Lombard

The issue of union power

By Samuel Brittan

IT IS a refreshing change to come across a book by a political writer dealing with political history, which treats economic policy seriously rather than as a form of black magic which affects the parties' standing in the polls. *Political Pressure and Economic Policy* by Martin Holmes (Butterworth, £15) is not only that, but it is also one of the very few serious studies of the Heath Government of 1970-74, an extremely traumatic period in which most of the issues of current economic debate first originated.

The turnround from the "Selsdon" phase of supposed economic libertarianism to the extreme dirigism of Mr Heath's last two years is not as puzzling as it *appears to many commentators.* "Selsdon Man" was a creation of speech writers and image makers. Mr Heath saw his Quiet Revolution as a series of practical measures; and when they did not appear to work quickly he turned to others: price, wage and dividend control, demand boosting, higher public spending and—above all —the most interventionist Industrial Act the country has ever seen. It was his distaste for theory which allowed such large policy changes to be made without reflecting on their ultimate consequences—that plus an intolerance of dissent which makes the Iron Maiden a clay doll by comparison. But the more general lesson is the weakness of a mechanistic "command" view of society. Such a view finds it difficult to understand why investment does not shoot up when certain economic levers are pressed nor why a "Phase Three Pay Norm," which was based on a TUC view of "fairness" and which had supposedly been sold to Joe Gormley at a secret meeting in the garden of No 10 should have led to a confrontation with the unions which Mr Heath —contrary to the media image of the time—was desperately anxious to avoid.

One of the peculiar paradoxes of the 1970 election was that as Mr Holmes shows, the Conservatives won it on the inflation issue more than any other. The inflation issue was more or less forced on the Conservatives when it emerged in the election; and despite the "at a stroke promises" they were completely dependent in office on Civil Service advice which was then dominated by the incomes policy model.

But Mr Holmes establishes beyond doubt that it was unemployment which caused the major turnround on all fronts. Everything else, even the famous report by the Chief Constable of Glasgow on his inability to guarantee public order if Upper Clyde were abandoned, was secondary. But the panic point was a headline figure of "a million" and a true figure without winter distortions of about 800,000.

The massive secular rise in the equilibrium unemployment level is not — taking a view over *several parliaments—primarily* due to positive action by unions. But union monopoly power — and the whole wage round mentality which affects many employers, politicians and officials — has been a powerful force preventing the adjustments in market prices (primarily, but not only the price of labour) which would have helped to price people into work. The problem of "Who runs Britain?" posed in the 1974 election was a valid one.

One reason Mr Heath failed to rally the country on the issue was that he did not believe it himself. This book demonstrates how reluctant he was to call an election and how he did not want to concentrate it on the question of union power, as his ultimate hope was to govern Britain with the unions. The public must have sensed this, just as it sensed that Mr Callaghan in 1979, despite being brought low by the unions, had no stomach for governing against rather than with them. But no excessive power of any kind can be reduced without "confrontation" of sorts. The success of the present attempt to tame union power will be seen when output and activity begin to recover — as ultimately they will however difficult it is to guess the timing correctly. If the Social Democrats want their economic policy to be taken seriously they should stop saying they are not "anti-union" — a stance which is not even helping them to obtain votes.

Letters to the Editor

Britain's social attitudes to modern industry

From Mr G. Leman

Sir,—During and after world war two, I was educated at one of those dreadful schools which has a bias against the practical.

Even those who were not specialising in a science had classes in general science, by no means at the gentlemanly level of "pure" theory but richly technological (I recall a vast mirror galvanometer and a simple hydraulic device that smeared a potato into a thin film).

The school had a well-equipped engineering shop. At that time, it was mostly working on a sub-contract, finishing large aluminium or magnesium castings that were part of the landing gear of the DH "Mosquito" light bomber.

My best friend there was an impure physicist. Given current City euphoria about wiring up the country, you may like to know that between us we rigged a piezo-electric pick-up to a clockwork gramophone, lashed up a battery amplifier, and ran a cable down from one of our studies to the junior common room, so that any consumer who equipped himself with a pair of headphones could do his prep to Louis Armstrong, Miff Mole, Harry James, Benny Goodman (trio and quartet, of course) and even Nat Gonella.

Britain's malaise can't be our fault. Maybe it's because we try to be a greater power than we are and divert all our talent into weapons systems, while our erstwhile enemies turn their talent to ice trays for refrigerators and pretty fronts for hi-fi boxes?

Grahame Leman.
11, Shakespeare Road, W3.

From Dr W. Grant

Sir,—The books discussed by your Management Editor on September 15 offer a plausible explanation of Britain's poor industrial performances. Wiener in particular, however, fails to grasp the ambivalence of British attitudes towards the countryside, the way in which its symbolic importance allows a blend of continuity and change. Baldwin, discussed by Wiener at length, pretended to be a farmer, but he also facilitated the construction of the National Grid, one of the most important forces for industrialisation and urbanisation in British history.

It is easy to blame the education system, but when I tried for a job in industrial management on graduation, I was told by one large company that they weren't really interested in people with good academic records. The writer of your Jobs Column may approve of this attitude, but it may help to explain much of the "siphoning off" that does occur.

If young people are becoming more interested in industry, it may be that we are solving yesterday's problem today as the economy increasingly becomes service based.

(Dr) W. P. Grant.
194, Rugby Road, Leamington, Warwicks.

Preoccupied with rural values

From the Research Officer, The Co-operative Party.

Sir,—Christopher Lorenz (September 15) makes the observation that British society is preoccupied with rural values and this has played a central role in Britain's industrial decline. Writers on rural affairs and rural lobbyists from the turn of the century would disagree with him. Certainly between the wars it was the widely held view that rural values were being overridden by a developing industrial society to the detriment of the nation. Since the war this has got worse not better.

I listen to *The Archers* six times a week because I long for my rural past but I am firmly rooted in today's industrial society.

Peter Clarke.
158, Buckingham Palace Road, SW1.

Technology industries lack added value

From Mr J. Nichols

Sir,—Having read Mr Dickson's interesting article (September 14) on Mr Melchor's Anglo American fund it seems to me that the latter would have saved himself much heart-searching if he had checked on the supply of "technically qualified people with proven business skills" in the UK before launching his fund in this country.

It is probable that Mr Melchor's lack of success is due largely to 25 years of misdirected governmental education policy which favoured academic subjects, thus leaving Britain a generation behind the U.S. and the USSR in the supply of technicians to man the industries that Mr Melchor seeks to establish.

Furthermore, the UK economy has hardly been conducive to "risk taking in order to achieve rapid growth." A commercial venture I considered five years ago left me with a maximum return of 5 per cent after paying 20 per cent per annum on the capital required to finance it. Taxation on my meagre profits would have been at 65 per cent and inflation was between 20 per cent and 25 per cent per annum. I would like to claim that "business sense prevailed" but however you interpret my decision, I closed the operation down on the grounds that it was not worth the risk and so disappointed my American customers.

I feel, however, that in seeking to support high technology industries such as those examples given in Mr Dickson's article, the suppliers of venture capital are putting their money where the effect on the ailing economy will be minimal. It will take 100 companies of the type illustrated to compensate for the damage done to the economy by closing just one small engineering firm.

Mr C. Marshall made this point elegantly in his letter of September 13 entitled "Implications of transmitting digits rather than people." He compares, as an example, the effect on transport of the introduction of railways and the internal combustion engine with "new" leading industrial sectors — largely based on micro-electronics, which result in marginal improvements only.

In short, what the new high technology industries lack is added value. Efforts must therefore be directed towards re-establishing profitable operations in the more traditional industries.

J. W. L. Nichols,
*Olsen Products,
Mill House,
Holton St Peter,
Halesworth, Suffolk.*

At the mercy of the market

From Mr C. Taylor

Sir,—I have read with interest Samuel Brittan's article on "The real story behind interest rates" (September 13) in which he contends that "a subtraction of 2½ per cent (the yield on long-term index-linked stock) from the yield on normal stock gives a rough idea of investors' implicit expectations about inflation."

While I agree in principle, it appears to me that Mr Brittan has overlooked two factors: (a) tax, which at 30 per cent would reduce the present gross yield of (say) 11.75 per cent to 8.23 per cent, and would reduce the 2½ per cent to 1.93 per cent, producing an investors' inflationary expectation of 6.3 per cent, which would be fully compensated by tax-free index-linking; and (b) the index-linking of the interest itself on index-linked stocks, which would serve to reduce the inflationary expectation even further.

I would doubt however whether anyone would be prepared to put his shirt on an inflation rate of 6 per cent in the long term, and it might well be that long term index-linked stocks are to some extent undervalued. On the other hand, prospective investors might be deterred by being at the mercy of the market should they find it necessary to realise the stock before maturity.

Cliff Taylor,
*Maytime,
11 Liscum Way,
Highlight Park,
Barry, South Glam.*

Much ado about very little

From Mr A. Abrahams

Sir,—Samuel Brittan's piece (September 13) might have been better entitled "Much ado about very little." Long ago Fisher discovered that long term interest rates tended to exceed inflation by around 3 per cent. Strangely Mr Brittan does not dwell on the possible analytical implications of his curve of "expected long term inflation rates," for the nature of an efficient market is that it strives, through a series of lurches, to find the correct equilibrium to accommodate buyers and sellers, or lenders and borrowers. That equilibrium, Fisher found, was best expressed as a real rate of return of around 3 per cent. The technique of subtracting 2½ per cent from the nominal rate of interest for the period preceding March 1982 is perfectly justifiable, and statistically could have been extrapolated much further back with equal justification. Carrying out such an exercise and overlaying the graph with carefully chosen moving averages tells us something important about the current activity in the gold market.

A. S. Abrahams.
*Bone Fitzgerald & Co.,
85 London Wall, EC2.*

Compare and contrast...

From the Commercial Director, British Printing Industries Federation.

Sir,—If your correspondents (September 10 and 15) wish to base comparisons on the price of yogurt and its containers, they may like to have some accurate data.

The price of printing yogurt pots ranges from £3 to £4 a thousand: that is 0.3p-0.4p each against Mr Wilkson's estimate of 6p.

S. A. Henderson.
*BPIF,
11, Bedford Row, WC1.*

UK COMPANY NEWS

Encouraging start by AGB Research

IN HIS annual statement, Mr Bernard Audley, the chairman of AGB Research, says he is encouraged by the results for the first months of the current period ending April 1983.

As reported August 20, group pre-tax profits for the 12 months to April 30 1982 advanced by £1.15m to £5.01m, on turnover up from £32.16m to £40.39m.

On prospects, Mr Audley states that the group's research and information systems companies at home and abroad are likely to show sound growth and it will continue to struggle for satisfactory returns on the publications side.

Mr Audley reports that agreement has been reached for the acquisition of a majority interest in the Survey Research Group (SRG) which is the largest market research group in South-East Asia. SRG includes marketing and media research companies in Singapore, the Philippines and a number of other Asian countries.

At the year-end, group shareholders' funds were ahead from £10.43m to £19.84m. Fixed assets amounted to £7.09m (£4.55m) and there were net current assets of £4.5m (£0.29m liabilities). Net liquid funds showed an increase of £3.44m (£3.55m decrease).

Meeting, London International Press Centre, EC, October 11, noon.

Owners Abroad makes £2.65m acquisition

Owners Abroad has entered into a conditional contract to purchase the privately owned Starvillas for around £2.65m in cash and shares.

The acquisition is subject to a satisfactory accountants report on Starvillas and shareholder approval.

The vendors of Starvillas have warranted pre-tax profits of £325,000 for the year ending October 1982. For profits exceeding this figure, Owners Abroad will pay a further £50,000 in cash per £10,000 profit up to a maximum payment of a further £500,000.

Starvillas sells villa package holidays mainly in Spain, Portugal and Greece from freehold offices in Cambridge. The company was started in 1965 and now owns approximately £1m property abroad. Mr Nicholas Langley-Pope, one of the vendors and a director of Owners Abroad, holds non-voting shares in Starvillas.

Upon completion of the acquisition Mr D. I. Barker the principal shareholder of Starvillas will be invited to join the board of Owners Abroad. Subject to receipt of the accountants report it is anticipated that a circular giving full details of the acquisition will be despatched within four weeks.

Better second half at Makin

DESPITE AN "encouraging" second six months compared with first half, taxable profits of J. & J. Makin Paper Mills declined to £641,000 for the year to March 31 1982, a decrease of £297,000 on the previous year.

There was a £313,000 shortfall after six months to £263,000, and in their interim statement the directors warned that the second half would reflect depressed conditions in which the group was having to operate.

They point out now that while the improvement in the second half of the year was "encouraging," no real change in trading conditions was seen. They say the outlook remains as uncertain as ever and that in recent months there seems to have been a fresh deterioration generally which has affected some areas of the group's operations.

Full year turnover was much the same at £18.5m (£18.14m). Pre-tax profits included investment and other income of £173,000, against £202,000, and a bigger share of losses of associates at £85,000, compared with £69,000.

Stated earnings per 25p share dropped sharply from 32.31p to 18.60p, but the dividend is held at 3p net by a same-again final of 2p. Tax took £334,000 (£405,000).

Profits of the paper companies improved to £423,752 in the second six months—they totalled £302,725 in the first half. The share of losses of the associate metal powder company increased slightly from £39,064 in the first half, to £46,284.

Overcapacity continues at Mining Supplies

The order level of the mining supplies division of Mining Supplies is reasonable, with a slight improvement compared with the same period last year, Mr A. Snipe, chairman, says in his annual report. However, this is still lower than the total manufacturing capacity available.

Over the past three months very strong enquiries have been received for the company's products, from a number of countries, which augurs well for the future, he adds.

Auditors Coopers and Lybrand have again qualified the accounts relating to the loss making subsidiary Laurence Scott, acquired in 1980. They point out that overdraft facilities to the company are due to be renegotiated at the end of September 1982 and that they are unable to confirm that the going concern basis on which its accounts have been drawn up is appropriate.

Mr Snipe says that given continued improvement Laurence Scott could see a return to profitability by the year end.

Reorganisation of this subsidiary is almost completed and it has a now better equipped production area. Since acquisition the staff level has been reduced from 3,600 to 2,100.

As reported on September 10, the group made taxable losses of £715,000 (£2.35m profits) in the year to May 1 1982. Losses per 10p share were stated at 1.9p (11.5p earnings) and the year's dividend was cut from 2p net to a nominal 0.1p.

At the year end shareholders' funds stood at £19.1m (£19.19m), and secured loans at £3.41m (£9.17m) including £1.77m (£6.77m) relating to Laurence Scott. Fixed assets were valued at £10.48m (£18.21m) and net current assets came to £5.25m (£10.63m). These included £10.08m (£5.39m) secured bank loans of which £9.5m (£3.65m) related to Laurence Scott.

During the year there was a net inflow of funds of £631,000 (£3.4m outflow).

Meeting: Doncaster, October 11, noon.

RESULTS AND ACCOUNTS IN BRIEF

MALAYSIA RUBBER COMPANY—Results for the year to March 31 1982 reported August 6. Shareholders' funds £406,386 (£530,888). Net current assets £31,116 (£75,612). Increase in net liquid funds £5,435 (£16,469). At year end investment portfolio, including Kinta Kellas but excluding Dormal, had a market value of £2.78m, compared with a book cost of £313,220. Harrisons and Crosfield (including Harrisons Malaysian Estates) is shown to hold 29.8 per cent of the company's shares and Kinta Kellas Rubber Estates 18.7 per cent. Chairman says acceptable results are indicated for current year. Meeting: 1/4 Great Tower Street, EC, October 7, noon.

PETER BLACK HOLDINGS (producer and distributor of footwear, bags, homeware, leisurewear and accessories)—Results for the year to April 30 1982 reported on August 6. Shareholders' funds £15.75m (£13.63m): fixed assets £7.21m (£6.19m): net current assets £10.61m (£9.74m): Increase in working capital £1.54m (£384,000). Chairman says that while demand remains high, the company is finding it difficult to maintain normal profit margins. Meeting: Winchester House, EC, October 8 at 12.30 pm.

SOUTHEND STADIUM — Operating receipts £265,616 (£270,378) for half year to June 30 1982, betting duty £27,515 (£29,963), expenditure £221,761 (£214,541), rents and investment income £9,873 (£43,290), pre-tax profit £67,706 (£67,364).

DALE ELECTRIC INTERNATIONAL — Results for year to May 2 1982 already known. Fixed assets £5.27m (£5.2m). Net current assets £7.07m (£7.36m). Shareholders' funds £13.18m (£12.58m). Chairman sees a steady growth of turnover in current year. Growth in profits will be there but at a steadier rate than sales. Meeting, York, October 6, noon.

JAMES AUSTIN STEEL HOLDINGS—Results for year to March 31 1982 reported August 6. Group fixed assets £808,350 (£305,678). Fixed assets leased to third parties £481,132 (£534,454). Net current assets £3.87m (£2.51m). Shareholders' funds £4.96m (£4.73m). Decrease in working capital £14,300 (£260,000.) Meeting, Ossett, West Yorkshire, October 11, noon.

Goal Petroleum jumps to £877,000

In the first half of 1982 Goal Petroleum turned in taxable profits of £877,000, compared with losses of £119,000 for the corresponding period and a surplus for the whole of 1981 of £443,000.

Operating profits climbed from £111,000 to £1.18m on much higher turnover of £2.6m compared with £733,000, and net interest charges took more at £303,000 (£230,000).

Tax came to £352,000 (£67,000)—made up of supplementary petroleum duty of £187,000 (£48,000) and deferred petroleum revenue tax of £165,000 (£19,000)—leaving net profit sof £525,000 (£186,000 losses).

The directors report that the recent rights issue was accepted in respect of 98.7 per cent of the 7.4m shares offered. The proceeds of the issue after payment of issue expenses was £5.4m. This amount was partly used to repay an existing bank facility on a temporary basis. The balance was placed on deposit.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Barrow Hepburn, Beatson Clark, Evans, P and W Maclellan, Ocean Gas Production, Pittard, Simon Engineering, Tarmac, Vitkey, James Wilkes.

Finals: Dalgety, Gripperrods, Second City Properties.

FUTURE DATES

Interims—
Associated Book Publishers ... Sept 23
Christies International ... Oct 4
Clarke, Nickolls and Coombs ... Sept 23
Finley Packaging ... Sept 27
Green's Economiser ... Oct 14
Tronoh Mines Malaysia ... Sept 21

Finals—
Blue Bird Confectionery ... Sept 22
Lowland Drapery ... Sept 24
Pullman (R. and J.) ... Sept 24

Centre Video at £228,000 in first year

Centre Video, the Dunstable based wholesaler made first-year pre-tax profits of £228,000, from a turnover of £10m.

Mr Peter Graham, chairman and founder, says these figures come as many video wholesalers struggle in this "highly competitive market" and are attributable to the company's *high tsock* turnover.

FT Share Information

The following securities have been added to the Share Information Service:—

McCarthy and Stone (Section: Buildings).

Rowe Evans Investments (Plantations-Rubbers).

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P/E Ratio
‡‡	F.P.	—	88½	70	Antofagasta Hldgs£1	70		7.0	3.8	14.5	2.1
—	F.P.	—	24	22	Bezodin Holdings 5p	23		0.85	1.3	4.0	24.7
‡‡	F.P.	—	8	6½	❋BerkeleyH.H.Inv10p	6½					
33	F.P.	7/9	78	44	❋Bio-Isolates 10p	62					
‡35	F.P.	10/9	45	38	❋Coleman Milne 10p	42		u1.5	3.2	5.1	5.8
‡‡	F.P.	—	31	27	❋Delmar Group	27		u1.68	2.4	8.9	6.7
—	F.P.	29/11	106	97	❋Ecobric New Ord£1	105		b d8.5	1.8	11.5	4.7
—	F.P.	—	63	55	❋Do. Defd.	60					
80	F.P.	24/9	64	48	❋Hadson Pet. Int. 5p	60	+2				
‡110	F.P.	17/9	182	159	❋Int'europeTech.20p	167		¶4.0	1.8	3.4	21.4
375	F.P.	29/9	420	368	Mercantile Hse. New	400		14.0	2.8	5.0	8.4
‡120	F.P.	27/8	150	133	Multitone Elect.	136		u5.2	3.4	5.1	4.9
—	F.P.	—	28	20	RIT & NorthernWar'ts	23					
—	F.P.	—	24	20	Rvr Plate & Gen.Wrts	20					
—	F.P.	—	13	10½	❋Sheraton Secs 10p	10½					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
‡‡	F.P.	—	95p	90p	Anglo Indonesian 9¾% Cnv. Cum.Pref.	95p	
‡‡	F.P.	—	60p	55p	Antofagasta 5.5% Pref.£1	55p	
99.526	£90	—	30¼	21¼	Australia 13¼% Ln. 2010	29¼	+¼
97.504	£25	—	30¼	24¼	Do. 13¼% Uns. Ln. 2015-17	24¼	
105	F.P.	—	105¼	105	Credit National Br. 13¼% 1989	105¼	+¼
97.058	£20	6/12	22	19¾	Electricite de France 13¼% Ln. 2008	19¾	
96.594	£25	—	25¼	24¼	Hydro Quebec 13¾% Ln. 2015	24¾	
97.705	£25	—	28¼	25	MEPC 13% Fst. Mort. Deb. 2017	25¼	
100	F.P.	—	100¼	100	Nationwide Bdg. Soc. 11¾% (15/8/83)	100¼	
100	F.P.	—	100¼	99½	Do. Do. 11¼% (30/8/83)	100¼	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date		1982 High	1982 Low	Stock	Closing price p	+ or −
400	F.P.	13/9	8/10	510	488	Eurotherm Int. 10p	500	+1
78	F.P.	—	—	190	170	Pactrol Electronics	188	
1	Nil	22/9	19/10	¼pm	¼pm	Spong	¼pm	
170	Nil	—	—	26pm	14pm	Tricentrol	14pm	−2

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *r* Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. F Dividends and yield based on prospectus or other official estimates for 1983. *Q* Gross. *T* Figures assumed. ❋ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. ☐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ *With warrants.* †† *Dealings under special Rule.* ❋ *Unlisted Securities Market.* ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. ❋ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Adwest	Sept 28	Final 5.4
*AFV	Sept 23	Interim 2.8
*BAT Inds.	Sept 22	Sec. Int. 5.0
*Bank of Scotland	Sept 21	Interim 10
*Barratt Developmts.	Sept 21	Final 3.85
*Barrow Hepburn	Sept 20	Interim 0.8
Bejam	Oct 6	Final 1.5
*Bell (A.)	Oct 6	Final 3.108
*Bilton (P.)	Sept 27	Interim 2.5
*Bowthorpe	Oct 5	Interim 1.921
*Brent Chem.	Oct 4	Interim 0.6
*British Aerospace	Sept 21	Interim 3.0
British Car Auction	Oct 27	Final 2.0
British Home Stores	Oct 21	Interim 1.75
*Brixton Est.	Sept 21	Interim 1.55
Brooke Bond	Oct 22	Interim 2.655
*Cape Inds.	Oct 6	Interim 3.8
Coats Patons	Oct 29	Int. 1.4
Combined Eng. Stores	Oct 7	Interim 1.49
Currys	Oct 12	Interim 0.75
*DRG	Sept 22	Interim 3
*Dalgety	Sept 20	Final 11.0
Davies & Newman	Oct 30	Interim 3.08
Debenhams	Oct 5	Interim 2.041
Ductile Steels	Oct 29	Final 4.5
*Dunlop	Sept 23	Interim 2
*Fisons	Sept 20	Interim 4
*Freemans	Oct 6	Interim 1.9
Gerrard and National	Oct 19	Interim 5.0
Gill and Duffus	Oct 21	Interim 3.8
Glaxo	Oct 12	Final 7.5
Grattan	Oct 1	Interim 1.666
Guinness Peat	Sept 11	Final 1.25
*Haden	Sept 23	Interim 2
*Hall Engineering	Sept 23	Interim 3.41
Hambro Life	Oct 7	Interim 3.5
Harris Queensway	Oct 7	Interim 1.33
Hawker Siddeley	Oct 21	Interim 3.7
Hepworth (J.)	Oct 30	Final 3.0
Hewden-Stuart	Oct 8	Interim 0.476
*Higgs & Hill	Oct 13	Interim 2.5
*House of Fraser	Sept 29	Interim 2.0
*Ibstock Johnsen	Oct 21	Interim 1.5
*Kleinwort Benson	Sept 21	Interim 3
Laing (J.)	Sept 29	Interim 2.5
*Laporte	Sept 23	Interim 3.5
London Brick	Oct 21	Interim 1.724
*Lasmo	Sept 28	Interim 2.75
London & Northern	Oct 28	Interim 1.4
Marks and Spencer	Oct 19	Interim 1.75
*Menzies (J.)	Sept 23	Interim 1.65
*Mills and Allen	Sept 22	Final 15
Minet	Oct 8	Interim 3.01
Mowlem (John)	Oct 15	Interim 2.0
News Intnl.	Oct 15	Final 3.465
*NEI	Sept 21	Interim 1.375
Peachey Property	Oct 20	Final 3.0
Press (Wm.)	Oct 28	Interim 0.8
*RMC	Sept 29	Interim 5.0
*Rowntree Mackintosh	Sept 23	Interim 2.7
Roberold	Oct 8	Interim 1.3
*Rugby Portland Cement	Oct 4	Interim 2.35
Sage Hols.	Oct 20	Final 6.0
*Scottish Metro. Prop.	Oct 8	Final 2.0
*Senior Eng.	Oct 12	Interim 0.75
*Simon Engineering	Sept 20	Interim 4
*Simpson (S.)	Sept 29	Final 2.0
*Smith St. Aubyn	Oct 20	Interim 4.5
Telephone Rentals	Oct 21	Interim 4.0
Travis and Arnold	Sept 15	Interim due
United Newspapers	Sept 22	Interim 4.5
*UBM	Oct 30	Interim 1.0
*Vickers	Sept 23	Interim 4.55
*Wimpey (George)	Sept 30	Interim 0.85
Wood Hall Trust	Oct 30	Final 8.211

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

HUMPERDINCK CUTS MAM STAKE

Engelbert Humperdinck, the singer, has sold a further 150,000 of his shares in Management Agency and Music (MAM), the show business and leisure group, reducing his holding to 250,000 shares.

This is the third sale by Mr Humperdinck in the past three months. In June he held 620,000 shares.

ROWTON HOTELS IN DISCUSSIONS

Rowton Hotels says discussions are taking place regarding the hostels of Rowton House, Vauxhall, Arlington House, Camden, Tower House, Whitechapel, and Parkview, Birmingham. The discussions are at a "very early and exploratory stage and it could be at least several months before any conclusions might be reached."

THE TRING HALL USM INDEX
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BASE DATE 10/11/80 100

LADBROKE INDEX
562-567 (−8)

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB. Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,297	Ass. Brit. Ind. Ord.	128	—	6.4	5.0	11.7	14.5
—	Ass. Brit. Ind. CULS	137	—	10.0	7.3	—	—
3,994	Airsprung Group	69	—	6.1	8.8	7.8	13.5
1,050	Armitage & Rhodes	42xd	−2	4.3	10.2	3.5	7.9
14,297	Bardon Hill	234	−1	11.4	4.9	9.8	12.4
1,498	CCL 11pc Conv. Pref.	118	+2	15.7	13.2	—	—
4,205	Cindico Group	266xd	−4	26.4	9.9	10.8	12.1
5,649	Deborah Services	73	—	6.0	8.2	5.1	7.4
4,430	Frank Horsell	139	−1	7.9	5.7	5.8	6.3
10,257	Frederick Parker	71	—	6.4	9.0	3.6	6.9
980	George Blair	62	+1	—	—	9.0	16.8
3,777	Ind. Precision Castings	93	−1	7.3	7.8	6.7	10.1
2,952	Isis Conv. Pref.	123	+1	15.7	12.8	—	—
2,960	Jackson Group	117	+2	7.5	6.4	3.6	7.5
19,323	James Burrough	140	—	9.8	6.9	10.2	11.4
1,938	Robert Jenkins	190	—	20.0	10.5	2.1	30.2
4,320	Scruttons "A"	82	+1	5.7	7.0	10.6	12.8
3,686	Torday & Carlisle	151	−1	11.4	7.5	8.8	11.6
3,454	Unilock Holdings	22	—	0.46	2.1	—	—
10,454	Walter Alexander	82xd	−1	6.4	7.8	5.3	8.5
5,768	W. S. Yeates	248	—	14.5	5.8	6.5	13.0

Prices now available on Prestel page 48146.

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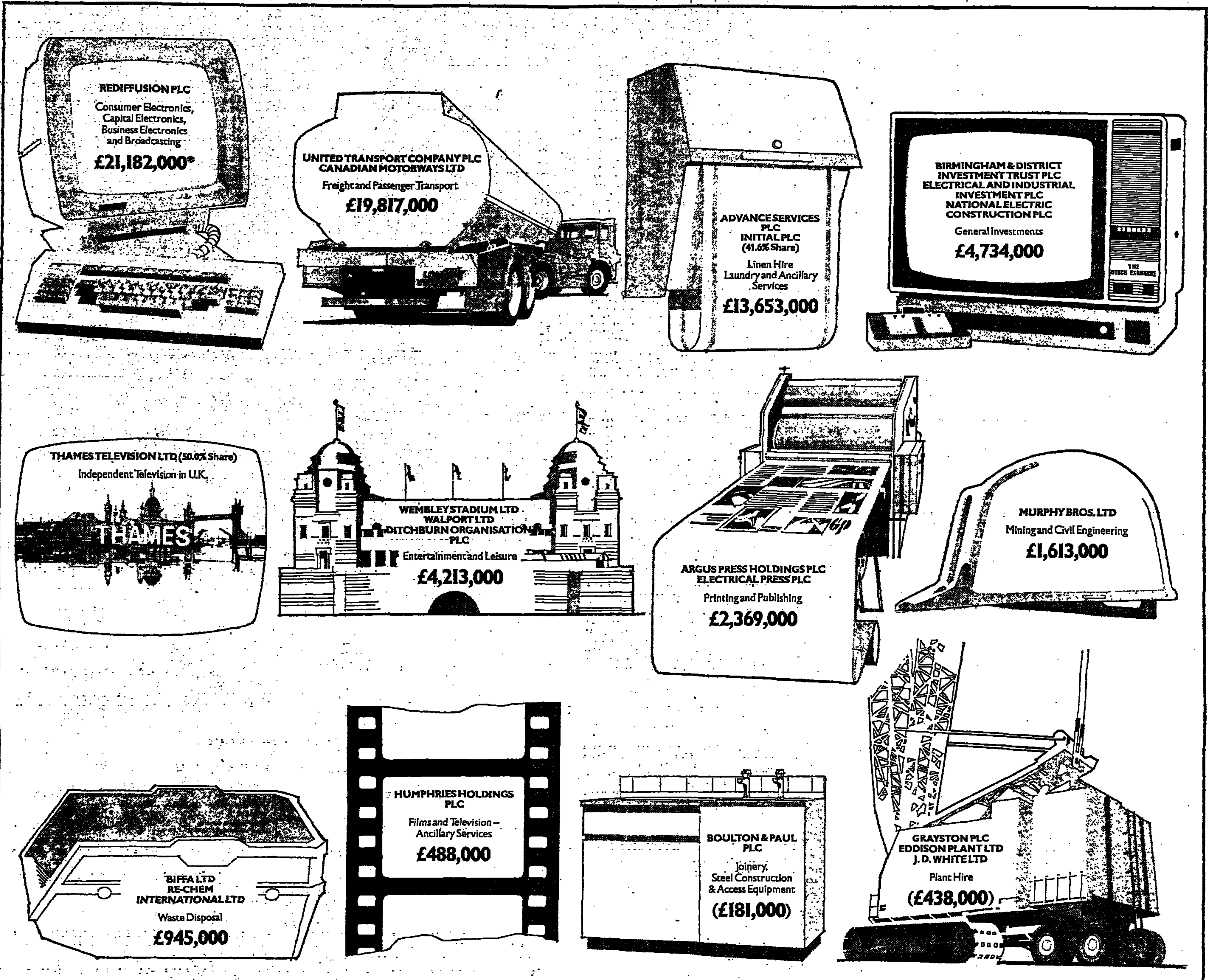
هكذا من الأصل

BET Group profit before taxation £67,259,000



*Excludes Rediffusion's share of profits of certain fellow subsidiaries.

Note: All the profits shown above relate to the companies' activities described and do not include other interests.

Extracts from the Statement by the Chairman Hugh Dundas

On 30th June 1982 Sir John Spencer Wills retired from the Chairmanship and from the Board of the B.E.T. Company.

The long years of his stewardship have been consistently beneficial to shareholders, who have enjoyed a steady and sustained record of growth in earnings and assets without a single call on them for cash. He will be deeply missed. He inspired the affection, as well as the respect, of all of us who worked with him.

It is pleasing to be able to report an increase of 10.6% in pre-tax profit, compared with 1980/81, in spite of the continuing recession. However, there is little cause for complacency when it is remembered that we were still more than £3 million down on the profit achieved in 1979/80 and that we continue to operate under the shadow of economic difficulties which have now spread out to cover much of the world.

The most important factors affecting B.E.T.'s pre-tax profits over the past two years have been, on the one hand, the impact of the UK recession on our construction-related businesses and, on the other, the intensive and often painful efforts which have been made by company managements to improve efficiency and productivity and thus to maintain earnings in spite of depressed demand for our goods and services.

Looking first at the construction-related businesses, it is as though a black hole had opened up and sucked away their profits. In the year ended 31st March 1980 they produced, between them, pre-tax profits of £12.8 million. In the year under review they made a loss of £600,000.

I am highlighting the downturn in their fortunes because this has been so fundamental to the overall result and also because it does show that other sectors have done pretty well to go so far towards filling the gap.

Reference was made last year to our intention to increase the size and proportion of profit contribution from North America – and particularly the USA. In the event, trading profit contribution from our North American businesses increased from £2.6 million to £5.2 million.

The BET Group comprises a number of companies engaged in a wide variety of activities. Those activities and the profits earned from them are shown above, together with the names of the principal contributing companies.

Summary of Results — BET GROUP — Year to 31st March

	1982 £	1981 £
Profit before taxation	67,259,000	60,792,000
Taxation	31,668,000	13,061,000
Profit after taxation and minority interests	26,702,000	39,197,000
Deferred Ordinary Dividends	12,096,000	11,351,000
Earnings per 25p Deferred Ordinary Share	17.6p	26.2p
Dividend per 25p Deferred Ordinary Share	8.0p	7.572p

It is disappointing that, owing to a much higher tax charge this year, earnings per share have taken a tumble, after several years of steady advance. These tax fluctuations are an irritant but are to a very large extent outside our control.

Outlook

Looking ahead over the medium term gives reasonable cause for optimism. We have a mix of activities which we understand well, are capable of managing and developing and which should provide good organic growth in profits. We are prepared to be flexible, increasing or decreasing the emphasis on individual sectors as circumstances may change.

Within the next two years cash should start flowing in from our investment in North Sea oil exploration.

In the short term, conditions remain extremely difficult, with many of the customers of our service companies still in the grip of recession in the UK and with the situation further complicated by worsened economic conditions overseas. Nevertheless, I am fairly confident that our results from the current year will be better than those for the year under r... iew.

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FT20/9

BUILDING AND CIVIL ENGINEERING

Problems facing the French industry

THE ANNOUNCEMENT last week of a plan to restructure Coignet, one of France's largest family-owned building groups, serves as a timely reminder of basic problems facing the French construction industry.

The company, which has had to battle with layoffs and falling orders as a result of the general malaise in the building sector, is being rescued through capital injections from two more powerful groups. These are the IDL construction division of state-owned Charbonnages de France, and Spie Batignolles, the international public works arm of the mighty Empain-Schneider empire.

Like many companies hit by the slide in the French building industry—in progressive decline since 1974—Coignet has made an effort to turn to export markets to compensate for falling demand at home.

The competition, however, is intense, and local markets in developing countries are hard to penetrate without heavy preparatory expenditures. To provide the capital to back up Coignet's export ventures, where it has won important contracts in Hong Kong and Singapore the two other groups will be taking stakes perhaps of 40 per cent each in Coignet. The details will be worked out within a few weeks.

The family group apparently jibbed at giving up control of the enterprise. But in the end there seems to have been no alternative.

Anxious not to see a further loss of jobs in the construction sector, where employment has dropped more than 25 per cent in the past 10 years, the Government has been playing a discreet behind-the-scenes role to guide the restructuring.

Exports account for about 5 per cent of the building industry's turnover, according to the National Building Federation (FNB) which groups companies in the sector. The proportion has grown rapidly during the last few years—perhaps three or four times up on five years ago.

The share is much larger for some of the big companies in the French construction and public works field such as Bouygues, where more than a third of turnover is made abroad, Societe Generale d'Enterprises (40 per cent) or Dumez (over 80 per cent).

But for the industry as a whole—where 300,000 out of the total of 320,000 companies employ less than 10 people—exports obviously can play only a negligible role in efforts to climb out of crisis.

The Government this autumn is launching a public works programme aiming to spend FFr 11bn (£900m) on new projects in France.

But the FNB remains distinctly unimpressed. Faced with a continuing slump in building activity (down 4.5 per cent in the first six months of the year compared with the same period of 1981), M Jacques Danon, the federation's chairman, has called the programme "insufficient."

The FNB believes that the new public works projects will not make up for cuts already announced in general government building programmes. The decline in school-building is one of the factors believed to have hit Coignet.

It is also concerned about the continuing slump in house-building. Building starts are expected to decline to about 360,000 to 375,000 this year from just under 400,000 in the previous two years, 430,000 in 1979 and as many as 556,000 in 1973.

M Danon has recommended, somewhat despairingly, that the public works programme should be quadrupled. Even that, he says, would only achieve "stabilisation" in the industry.

DAVID MARSH

No sign of U.S. housing upturn

POTENTIAL HOUSE purchasers in the U.S. are facing similar problems to those in the UK. In a nationwide survey 91 per cent Americans said they now believe it takes two family pay cheques to meet monthly mortgage payments.

Conducted by Louis Harris and Associates and commissioned by the Federal National Mortgage Association, the survey says that the U.S. housing market is unlikely to return to its boom level of the 1960s and 70s.

Home owners

The survey found that 71 per cent of Americans expect to own rather than rent their next home (compared with about 50 per cent in the UK). While this figure was roughly comparable to the 78 per cent who said they preferred ownership in a 1976 Harris survey, the report says that high interest rates and housing prices, coupled with a sluggish economy, mean the housing market in the next five years will be less robust than in 1975-80.

Only 23 per cent of the survey sample said they were "very likely" to move in the next three to five years, compared with 50 per cent who had actually moved in the past five years.

Far East offshore platform venture

TWO OF Japan's largest construction companies in the field of maritime civil engineering have signed a technical services agreement with an Anglo-Dutch consortium under which the latter will assist the Japanese with the technology to build offshore oil concrete gravity production platforms in Japanese and Chinese waters.

The Japanese companies are Obayashi Gumi and Toyo Construction, both of Tokyo, and their target is the development, design, engineering and construction of concrete platforms in Japanese and Chinese waters, where the exploration and production of gas and oil is now being actively pursued.

The consortium is Andoc—Anglo-Dutch Offshore Concrete—which between 1974 and 1977 built the Dunlin A platform for the North Sea. Andoc is a joint venture in which equal shares are held by Tarmac Construction and Balfour Beatty Construction of the UK, and Royal Bos Kalis Westminster, Hollandsche Beton Groep and Royal Volker Stevin of the Netherlands.

Mr George Cummings, Andoc's UK general manager and a director of Tarmac Construction's energy group, said last week: "The Japanese approached us because of the expertise we gained in building the Dunlin A platform—technology which is unique to the very few organisations which have built concrete platforms for the North Sea."

Mr Cummings said that the concrete structure had four main advantages: first, that it had within it an oil reservoir, meaning less waiting time for ships; second, that it was "extremely stable," standing by gravity on the sea bed; third, that concrete was less susceptible to corrosion; and, finally, that the concrete structure was able to go out to site with a topside load of equipment of 30,000 tons, whereas a steel structure had to be equipped in situ.

He added that Andoc's return under the agreement would depend to a large extent on the work secured by the Japanese, but also that Andoc would avoid "a lot of the problems" it would encounter if it entered the Far East market for concrete gravity structures on its own behalf.

Big Spanish hydro-electric project starts

HIDROLA, Spain's second biggest private utility, is to go ahead with a Pta 71bn (£365.7m) hydro-electric project, the country's biggest ever. It will be sited on the river Jucar, some 50km from Valencia and will have an eventual capacity of 750 MW.

The project has been under study for some time and is part of the 10-year national energy plan approved in 1979 as part of increasing Spain's potential hydro-generating capacity.

Financing this big investment has resulted in lengthy negotiations between the company and the Government. Agreement has been formalised on a deal whereby the state-controlled Banco de Credito Industrial provides 40 per cent of the project's cost in the form of a soft loan.

Two power stations will be built on the river, one below the other, with completion envisaged by 1988.

Scotland asks for aid

THE SCOTTISH construction industry has asked the Government to make some of the money that would have been spent building the, now abandoned, multi-million pound Trident missile servicing facility at Coulport, available for other Scottish-based projects.

In a meeting with Scottish Mr Alan Stewart, members of Office Home Affairs Minister, the Scottish Construction Industry Group (SCIG) also asked that firms situated in Scotland should have a fair opportunity to tender for any infrastructure work on the Falklands.

The meeting between the Minister and SCIG had been arranged at the latter's request so that attention could be drawn to the "gloomy and fearful" situation facing the industry and the prospect of the many liquidations in sight.

After the meeting, SCIG chairman Mr Mick Matheson, president of the Royal Incorporation of Architects in Scotland, said that the construction industry in Scotland was suffering worse than in the rest of the UK, with some 50,000 of its workers on the dole—25 per cent of the total. Oil related projects were coming to an end and Scotland's share of public sector investment was declining.

The Minister had been asked to look at VAT. This, said Mr Matheson, was a tax on the country's capital asset, being imposed on rehabilitation work, but not on new building.

A claim by Mr Stewart that interest rates falling should benefit the building industry was rejected by the delegation. The reduction was too little, it was argued, and in any case job security was now a more crucial factor in house purchase than interest rates.

UK CONTRACTS

£10m orders for Sunley

BERNARD SUNLEY AND SONS has secured four UK contracts worth £10m. Overlooking the Thames at Battersea Bridge road construction has started on a mirrored glass building for Sunley Holdings. The £4½m project will provide 41,000 sq ft of offices and 16 flats and completion is due in March 1984.

At New Hibernia Wharf, London Bridge, where Sunley is constructing a £7m, 110,000 sq ft office block, the company has been awarded fitting-out contract by the tenants, Grindlays Bank, worth over £2m.

Sunley's tender of just under £2m has been accepted by Eagle Star Properties to refurbish a five-storey office block at 48/51 Friar Street, Reading. Work is planned for completion in September 1984.

Work has started on a 25,000 sq ft warehouse and offices extension in Hemel Hempstead for International Book Distributors and is due for completion in February.

*

SNAPE has won a £600,000 contract to build an energy-saving factory for JEL at Bramhall, Stockport. The design of the 23,000 sq ft factory believed to be unlike any other in Europe, calls for maximum use of free energy. A passive solar system will be used for heating and full use will be made of natural light. The project has been conceived and designed by JEL Energy Conservation Services. The control system will provide full auditing and monitoring of energy use. The scheme has support and financial backing from both the Department of Industry and the Department of Energy.

OVERSEAS CONTRACTS

BSC supplies Colombian railway track

BRITISH STEEL CORPORATION has been awarded a contract worth \$13m (£7.5m) to supply railway track for the construction of the El Cerrejon coal project in north east Columbia. The work will go to BSC track products's Workington plant in West Cumbria and the rails will be supplied between October and March 1983.

Main contractor for the coal project is the San Francisco-based construction company Morrison Knudsen and the owner is the Columbian company, Carbides de Columbia (CARBOCAL) and International Columbian Resources Corporation (INTERCOR), a wholly-owned subsidiary of the Exxon Corporation. The order was placed with the assistance of Esso Petroleum Company.

Finance is being mobilised by Lloyds Bank International with an Exports Credit Guarantee Department-backed \$100m (£58.6m) line of credit specifically for UK purchases for this project.

Object of the project is to mine and export 15m tons of bituminous coal annually starting in 1986. It includes a track and shovel type surface mine and infrastructure construction including a 150 km railway for transporting coal and mine supplies, a marine terminal for coal storage and ship loading, and accommodation at the mine and port. Construction of support facilities to include airports, a rebuilding and maintenance centre and a communications network will be undertaken.

*

An £8.5m site preparation contract for Tuen Mun new town in Hong Kong's New Territories has been awarded to TOBISHIMA CORP. The contract involves preparation, with associated drainage work, of about 48.6 hectares of land in the north west and also in the estern part of the new town. The site to the north-west will eventually provide public housing for about 60,000 people, while land to the eastern part of the new town will be used as a "village resite area."

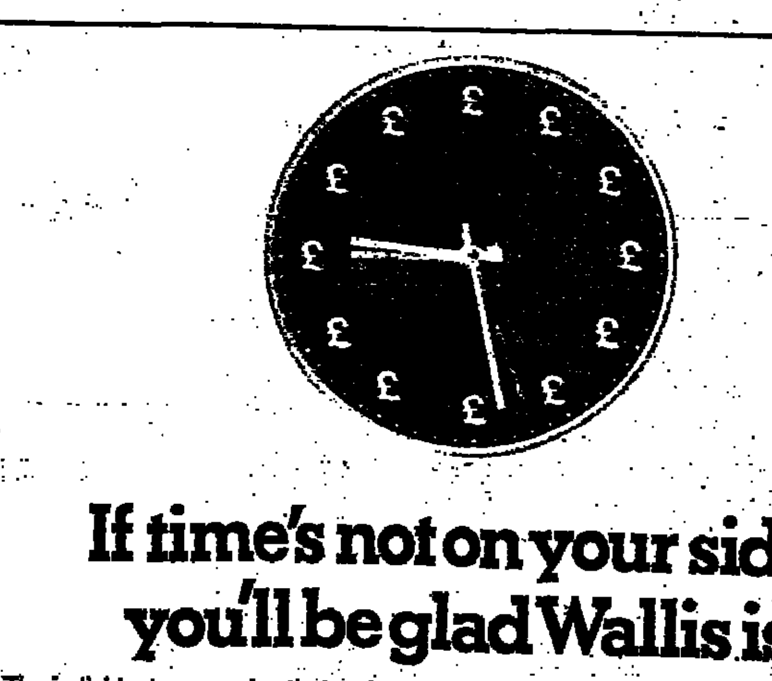
WHAT'S NEW IN BUILDING

Excavator from Priestman

A new excavating machine has been launched by Priestman Brothers, a member of the Acrow Group. Made in Hull (Humberside) the VC 15 is the first of a range of machines which have variable counter-balances, claimed to be a new design concept. The excavator has been developed to meet the needs of operators involved with watercourse construction and maintenance. It provides increased working reach (15 metres), 50 per cent more lifting capacity at maximum reach, at 15 per cent reduction in weight (for greater mobility on soft ground) and better fuel economy. The VC 15 will cost in the region of £60,000. More from Acrow on 01-262 3465.

Scratch resistant

SUNCELL has introduced an insulation film, Sunshield SR, which is scratch resistant in addition to having solar heat control and cost and energy conservation. Recommended for glass doors, glass-walled corridors and shop display windows, the film is available non-reflective, tinted or clear. More from Windsor 69661.



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BASE LENDING RATES

A.B.N. Bank	10½%	Grindlays Bank	‡10½%
Allied Irish Bank	10½%	■ Guinness Mahon	10½%
Amro Bank	10½%	■ Hambros Bank	10½%
Henry Ansbacher	10½%	Hargrave Secs. Ltd.	a10½%
Arbuthnot Latham	10½%	Heritable & Gen. Trust	10½%
Associates Cap. Corp.	11 %	■ Hill Samuel	§10½%
Banco de Bilbao	10½%	C. Hoare & Co.	†10½%
BCCI	10½%	Hongkong & Shanghai	10½%
Bank Hapoalim BM	10½%	Kingsnorth Trust Ltd.	12 %
Bank of Ireland	10½%	Knowsley & Co. Ltd.	11 %
Bank Leumi (UK) plc	10½%	Lloyds Bank	a10½%
Bank of Cyprus	10½%	Mallinhall Limited	10½%
Bank Street Sec. Ltd.	12 %	Edward Manson & Co.	12 %
Bank of N.S.W.	10½%	Midland Bank	a10½%
Banque Belge Ltd.	10½%	■ Samuel Montagu	10½%
Banque du Rhone	11 %	■ Morgan Grenfell	a10½%
Barclays Bank	10½%	National Westminster	10½%
Beneficial Trust Ltd.	11½%	Norwich General Trust	10½%
Bremar Holdings Ltd.	11½%	P. S. Refson & Co.	10½%
Brit. Bank of Mid. East	10½%	Roxburghe Guarantee	11 %
■ Brown Shipley	11 %	Slavenburg's Bank	10½%
Canada Perm't Trust	11 %	Standard Chartered	‖10½%
Castle Court Trust Ltd.	11 %	Trade Dev. Bank	10½%
Cavendish G'ty T'st Ltd.	12 %	Trustee Savings Bank	a10½%
Cayzer Ltd.	10½%	TCB	10½%
Cedar Holdings	11 %	United Bank of Kuwait	10½%
■ Charterhouse Japhet	10½%	Volkskas Intl. Ltd.	10½%
Choulartons	10½%	Whiteaway Laidlaw	11 %
Citibank Savings	¶11 %	Williams & Glyn's	10½%
Clydesdale Bank	10½%	Wintrust Secs. Ltd.	11 %
C. E. Coates	11½%	Yorkshire Bank	a10½%
Comm. Bk. of N. East	10½%		
Consolidated Credits	10½%		
Co-operative Bank	*10½%		
Corinthian Secs.	10½%		
The Cyprus Popular Bk.	10½%		
Duncan Lawrie	10½%		
E.T. Trust	10½%		
Exeter Trust Ltd.	11½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13 %		
Robert Fraser	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%, 1 month 7.50%. Short-term £8,000/12-months 9.85%.
† 7-day deposits on sums of: under £10,000 7¾%, £10,000 up to £50,000 8%, £50,000 and over 8½%.
‡ Call deposits £1,000 and over 7¾%.
‖ 21-day deposits over £1,000 8½%.
§ Demand deposits 7¾%.
¶ Mortgage base rate.
a Effective from close of business 31 August 1982.

INSURANCE

Underwriting agency system to change

BY JOHN MOORE, CITY CORRESPONDENT

BIG changes in the underwriting agency system at Lloyd's are planned, the insurance market having given to Parliament last year an undertaking that it would review its agency structure.

An indication of the scope of the changes contemplated was given last week in a consultative paper prepared by the Lloyd's working party which is reviewing the agency system.

This interim report concluded that, when Lloyd's brokers come to sell their shareholding links with underwriting agencies which manage insurance syndicates (as all Lloyd's brokers are required by Parliament to do over the next five years) their shares should be sold to Lloyd's members and to directors and executives of the agency companies. Anyone who is not a Lloyd's member should not be able to buy an agency's shares.

There are plans to curb brokers' influence in members' agencies—the groups which recruit Lloyd's members for the insurance syndicates. Parliament allowed brokers to retain their members' agencies. The working party has concluded that a Lloyd's broker should not have the majority of the votes in a general meeting of the members' agent, nor have a majority representation on the board.

Indeed, says the working party, both managing and members' agencies should have two thirds of their boards of directors drawn from the membership of Lloyd's. That majority of proposed directors, says the working party, should exclude anyone who is associated with a Lloyd's broker or who is a director of a broker.

The wider membership of Lloyd's wants to see more radical and fundamental changes than those so far proposed by the working party. Submissions are pouring in from all sections of the market.

The members are mainly concerned about the myriad conflicts of interest throughout the Lloyd's structure. What the members of Lloyd's are seeking is an eradication of those conflicts and the acceptance of a level of professionalism which would ensure that their interests are safeguarded.

The working party so far has argued that control of the agencies which manage insurance syndicates should remain within the market.

Yet the issue of conflicting interests arises again. Some members of the agency, whose shares are offered for sale, might choose to buy shares in the newly-independent company. Other members might elect not to participate in the offer for sale. Two categories of underwriting member would be created: those with shares in the agency and those without.

If an agent were to decide to double fees and profit commissions on underwriting revenues for the benefit of shareholders, those underwriting members who were not shareholders would not benefit, while those with dual status would.

Conflicts of interest arise in other ways. Brokers will continue to own members' agencies. They will be able to exert a powerful influence over the capacity which is supplied to underwriting syndicates at Lloyd's. Reviewers of Lloyd's self-regulation in the past have accepted the need for the ownership of the members' agencies for one main reason.

The brokers who produce business have access to a range of potential members of Lloyd's. But the brokers draw those members mainly from the boards or companies whose corporate accounts they are insuring in the Lloyd's market.

In this way, brokers hope to cement their relationship with a big client and its insurance business by offering those in charge of the client's policy a membership at Lloyd's, although other conflicts of interest might arise thereby.

The working party has recognised that the brokers' influence should be curbed in members' agency affairs. But this probably does not go far enough. In the present and the proposed structures, any broker may say to an underwriter to whom he or she introduces members that, unless the underwriter co-operates, he will withdraw members from the syndicates and place them with other syndicates.

APPOINTMENTS

New chairman at Redman Heenan

Mr Hugh Lang has been appointed chairman of REDMAN HEENAN INTERNATIONAL following the death of Mr Angus Murray. Mr Lang, who will continue as chairman of P-E International, the management consulting group, has been a non-executive director of RHI since March, 1981. Chairman of the Manufacturing Advisory Service steering committee and chairman of the Design Council's engineering products awards panel, Mr Lang is also a member of the CBI industrial policy committee. Previously he spent five years as chairman of one of the National Economic Development Office's industrial strategy sector working parties.

★

Mr R. A. G. Dunkley has been appointed technical director at THE DE LA RUE COMPANY. He remains an associate director and is appointed non-executive chairman of its Crossfield electronics division. Mr J. D. Salmon has been appointed managing director of Crosfield Electronics in succession to Mr Dunkley. He is a former technical director of Crosfield Electronics and for the past three years has been managing director of De La Rue systems division, where he is now succeeded by Mr P. G. Underhill, director of marketing.

★

Mr Robin Gill has been appointed chairman of SYSTEMS PROGRAMMING HOLDINGS and Mr David Thomson has joined the board from the British Technology Group as joint managing director with Mr Peter Adams.

★

PEAT, MARWICK, MITCHELL AND COMPANY will make the following partners on October 1: Mr D. P. Bateman, Mr P. Chadwick, Mr P. J. Hardaker and Mr J. J. Maynes in London; Mr M. S. Brignall in the management consultancy firm in London; Mr B. C. Taylor in Birmingham; Mr P. A. Lamberton in Bradford, Mr B. G. Mitchell in Cardiff (transferring from Frankfurt); Mr A. D. Finn and Mr A. B. Woolf in Manchester; Mr G. R. Adams in Newcastle upon Tyne; Mr R. J. Stanlake in St Austell; Mr R. M. Arkle in Stoke-on-Trent and Mr D. J. Trembath in Truro. Mr W. B. S. Walker of London will be retiring on September 30 and will be succeeded as deputy senior partner of the UK firm by Mr G. W. Dunkerley.

★

DEWE ROGERSON has appointed Mr Roger Hayes to the board as director corporate PR. He has been a director of Burson-Marsteller for the past six years.

★

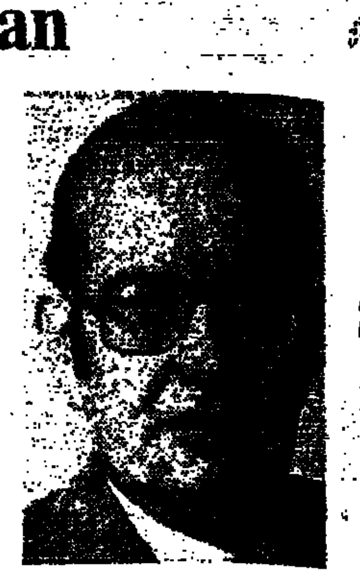
Mr Barry Sharp has been appointed general manager of SASCO, the Twinlock Group's visual planning and charting aids subsidiary.

★

Mr D. C. Wemyss has been appointed managing director of GREENDALE ELECTRONICS, Derbyshire-based subsidiary of the Crystalate Group.

★

● Mr Alan Haig, who was with the financial management group of Chase Manhattan Limited in London, has transferred to the CHASE MANHATTAN capital markets Group in New York.



Mr J. D. Salmon, managing director, Crosfield Electronics

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Fairview Estates, Winchester House, 100 Old Broad Street, EC, 10.30
Pitman, 6 Southampton Place, WC, 12.00
Regional Properties, May Fair Hotel, Berkeley Street, W, 12.00
Surmah Valley Tea, Hibernia Chamber, London Bridge, SE, 11.30
Vibroplant, Queen's Hotel, Leeds, 1.00

BOARD MEETINGS—
Finals:
Dalgety
Gripperrods
Second City Props
Interims:
Barow Hepburn
Beatson Clark
Fisons
MacLellan (P. and W.)
Oil and Gas Production
Pittard
Simon Eng
Tarmac
Wiljay
Wilkes (James)

DIVIDEND & INTEREST PAYMENTS—
Cameron (J.W.) Debs 2¾, 3¼, 3½pc
Gillett Brothers Discount 7p
Grupo Industrial Alfa SA Fltg Rate Notes 1988 $425.94
Halliburton 40c
Lone Star Inds Inc 47.5c
M & G American & General Income 0.7p
M & G Magnum Income 6.5p
Morland Secs 2p
New Court Natural Resources 1p
Plastic Constructions 0.836p
RFD Group 2p
Ransom (Wm) 5p
Ransomes Sims & Jefferies 5½pcPf 1.925pc

TOMORROW

COMPANY MEETINGS—
Group Investors, 2 St Mary Axe, EC, 12.30
P.H. Industrials, Dorland House, 14/16 Regent Street, SW, 12.00
Wolverhampton Steam Laundry, Ravensholt Hotel, Summerfield Road, Chapel Ash, Wolverhampton, 3.00

BOARD MEETINGS—
Finals:
Barratt Devs
Minerals and Resources Cpn
Moran Tea
Trafford Park Ests
Interims:
Alva Inv Tst
Bankers' Inv Tst
Bk Scotland
Bodycote Intnl
British Aerospace
Brixton Est
Kleinwort Benson Lonsdale
Nthn Eng Inds
Pritchard Services
Rowton Hotels
Tronoh Mines Malaysia
U.S. Deb Cpn
Wolstenholme Rink

DIVIDEND & INTEREST PAYMENTS—
Pfizer Inc 46c
Urquijo Intl Gtd Fltg Rate Notes 1986 7¼pc

WEDNESDAY SEPTEMBER 22

COMPANY MEETINGS—
Allen (W. G.) (Tipton), Station Hotel, Dudley, West Midlands, 12.30
Allied Colloids, Cleckheaton Road, Low Moor, Bradford, 12.30
Argyll Foods, Savoy Hotel, Strand, WC, 12.00
British Building & Engin Appliances, University Arms Hotel, Cambridge, 12.00
Fobel Intl, Hyde House, The Hyde, NW, 11.00
Routledge & Kegan Paul, Partridge House, Henley-on-Thames, 12.45
Tyne Plywood, Kingsway Team Valley, Gateshead, 10.30
Western Board Mills, Post House, Pentwyn Road, Pentwyn, Cardiff, 12.00

BOARD MEETINGS—
Finals:
Armstrong Equipment
Bluebird Confectionery
Mills and Allen Intnl
Interims:
BAT Inds
Biddle
DRG
Huntleigh
Mackay (Hugh)
Sparrow (G. W.)
Spear and Jackson
Stewart Wrightson
Sunlight Service

DIVIDEND & INTEREST PAYMENTS—
Exchequer Stk 13¼pc 1992 6⅝pc. Do. 12¼pc 1990 6⅛pc. Do. 12pcCnv 1985 6pc. Do. 9¼pc 1982 4⅝pc
Siam Commercial (Cayman) Gtd Fltg Rate Notes 1984 $78.90
Victoria Carpet Hldgs 0.15p

THURSDAY SEPTEMBER 23

COMPANY MEETINGS—
British Land, May Fair Hotel, Berkeley Street, W., 12.00
Heinz (H. J.), Hayes Park, Hayes, Middx., 9.00
MFI Furniture, Wembley Conference Centre, Wembley, Middx., 12.00
Midland Trust, Moor Green, Moseley, Birmingham, 3.30
Phoenix Timber, Phoenix House, New Road, Rainham, Essex, 12.00
Scottish, English & European Textiles, Caledonian Hotel, Edinburgh, 12.30
Sheafbank Property Trust, Grosvenor House Hotel, Charter Square, Sheffield, 12.00
Singlo Group, Empire House, 123 Kennington Road, S.E., 12.30
Stonehill Hldgs., Churchill Hotel, Portman Square, W., 11.30
Tomkins (F. H.), The Post House, Great Barr, 12.00

BOARD MEETINGS—
Finals:
Dowding and Mills
Maynards
Mucklow (A. and J.)
Interims:
APV
Clarke Nickolls and Coombe
Dunlop
Gen Investors and Trustees
Haden
Hall Eng
Harrison Cowley
Laporte Inds
Memec (Memory and Elec Components)
Menzies (John)
Morrison (Wm) Supermarkets
Owen Owen
Perry (Harold)
Rowntree Mackintosh
Tootal
Vickers

DIVIDEND & INTEREST PAYMENTS—
Adams & Gibbon 1.25p
Chemical New York N.V. Gtd. Fltg. Rate Notes 1994 $526.46
Essex Water 3.5% (Fmly. 5%) Cons. 1.75pc
Do. 3.5% (fmly. 5%) New 1.75pc
Evans & Owen 2.5p
Scandinavian Finance B.V. Stlg. Fltg. Rate Notes 1990 $33.87
Scotland Intnl. Finance B.V. Gtd. Fltg. Rate Notes 1992 $392.92
Serck Deb. 5½pc
Western Board Mills 4.5p
York Waterworks Cons. Prf. (4.2% Max. fmly. 6%) 2.1pc
Do Cons 4.9pc (Fmly 7pc Max) 2.45pc.
Do 3.5pc (Fmly 5pc Max) 1.75pc.
Do. 4.2% (fmly. 6%) Red. Prf. 1983-84 2.1pc

FRIDAY SEPTEMBER 24

COMPANY MEETINGS—
Dyson (J. & J.), Cutlers' Hall, Sheffield, 12.00
Ingram (Harold), 21, Newman Street, W., 11.30
Longton Ind Hldgs, Federa Building, Victoria Road, Stoke-on-Trent, 3.00
Norton and Wright, Queen's Hotel, Leeds, 12.00
Property Security Inv. Trust, Founders Hall, St. Swithin's Lane, E.C., 12.15
Sommerville (Wm.), Dalmore Mills, Milton Bridge, 2.30
Webb (Joseph), Station Hotel, Dudley, W. Midlands, 12.00

BOARD MEETINGS—
Finals:
Lowland Drapery
Pullman (R. and J.)
Interims:
Liberty
Southampton IoW SE Royal Mail Steam Packet

DIVIDEND & INTEREST PAYMENTS—
Automotive Products 0.5p
Banco De La Nacion Argentina Fltg. Rate Notes 1986 $78.90
Bath & Portland Group 2.5p
Black & Decker Manufacturing 19cts.
C.S.C. Inv. Trust 3.25p
Chapman Inds. Deb. 4¼pc
Chesebrough-Pond's Inc. 43cts
Continental Illinois Overseas Finance Corp. N.V. Gtd. Fltg. Rate Sub. Notes 1994 $416.47
Copson (F.) 1.5p
De Brett (Andre) 1.5p
Dew (George) 2.3p
International Inv. Tst. of Jersey 3p
National Bank of Canada Fltg. Rate Debs. 1998 $392.92
Petrolane Inc. 12.5cts
Sanwa Intnl. Finance Fltg. Rate Notes 1988 $782.64
Securicor Group Ord. & A Ord. 0.4p
Do. 6½%, Ptg. Prf. 7.788pc
Security Services Ord. & A Ord. 0.82p
Siglaw Group Ln. 3¾pc
Thames Nationwide Transport 3cts
Whatlings 1p
Wolverhampton Steam Laundry 1p

SATURDAY SEPTEMBER 25

DIVIDEND & INTEREST PAYMENTS—
Associated British Foods Lns. 2½, 3½pc (1987-2002)
Barker & Dobson Ln. 6pc
Caledonian Associated Cinemas 5.25% Prf. 2.625pc
Cavenham Lns. 5¼, 5¼pc
Centrovincial Estates Ln. 3¼pc
Hanson Trust Ln. 4⅝pc
Lonrho Debs. 4½, 6⅛, 6⅞pc
M. & G. Commodity & General Income 1.2p
Renold Debs. 3½, 4pc
Russell's Gravesend Brewery 6% Prf. 2.1pc

SUNDAY SEPTEMBER 26

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 14¼% Deb. 1984 7⅛pc
East Surrey Water 10% Red. Prf. 1986 5pc
Do. 8% Red. Prf. 1982 4pc
Exchequer Stk. 12¼% 1999 6⅛pc
Treasury Stk. 13½% 2004-08 6¾pc
Do. 12pc 1984 6pc

CONTRACTS AND TENDERS

CREDITS

Loan for France likely to remain a 'big-ticket deal'

FRANCE managed to distract the Eurocredit market's attention from pressing problems in Mexico and Argentina last week with its sudden launch of a $4bn, 10-year credit.

This is the first borrowing by the French Government itself since 1974 and despite some initial hesitation in the market it looked by Friday as though enough lead managers prepared to underwrite $100m apiece would easily be found to cover the full amount.

The terms are slightly more generous than those paid by French borrowers previously. The loan bears a margin of ⅜ per cent over London inter-bank offered rate (Libor), a ⅛ per cent commitment fee, and a management fee of 0.2 per cent.

Prospective lead managers have to submit their replies to the loan co-ordinators—Société Générale, Arab Banking Corporation, and Bank of Tokyo—by early this week. Despite some initial reluctance it appears that several U.S. banks will come forward, and at least one, Citicorp, already has.

Japanese banks are expected to provide one-third of the credit and French banks another third. Interest elsewhere was growing on Friday to the point where some banks said they expected their total underwriting commitment could be reduced by oversubscription at the lead management level.

The general view in the market was that this would remain a "big-ticket deal." It will be syndicated in the market but the smallest participants may have to put up an amount of some $10m which would preclude substantial sales of the loan.

Part of the loan's success is a reflection of the political leverage that France can exert on large banks. Many bankers felt at the outset that the terms were rather tight, even though France has dropped all aspirations to being able to raise money at a mere ⅜ per cent over Libor.

This could in turn have a ripple effect through the whole market, forcing other borrowers in Europe and the Far East to drop similar aspirations, some bankers believe. French state entities will certainly have to pay higher margins when they return to the market.

Good news from Buenos Aires, which agreed a reciprocal dropping of financial sanctions with Britain, was dampened at the end of the week when there was still no sign of Argentina moving to pay UK banks money withheld since sanctions were imposed in early April.

British bankers believe it will take some time to establish Argentina's real intentions especially as the political situation there remains clouded, and meanwhile little progress can be expected on restructuring the country's $37bn foreign debt.

News that Mexico is discussing a $12bn credit from Saudi Arabia was also greeted with reserve in the banking community. Even if such a credit were agreed, bankers believe that Mexico would still need to seek assistance from the International Monetary Fund and to extend the present moratorium on repayments of principal to commercial banks.

The problems of Mexico and Argentina are clearly having an impact on other borrowers. New lending to Brazil has all but dried up in recent weeks and a $100m credit being arranged for Eletrobras by Libra has met very limited interest in syndication.

Similarly slow progress is reported on a $150m credit being arranged by Bankers Trust for the Ivory Coast and on the $500m credit for Venezuela's electric utilities Edelca and Cadafe.

Italy's regional development fund, Isveimer is meanwhile raising $250m through a five to eight-year credit priced at a split margin of ⅞-1 per cent over U.S. prime rate. Bankers Trust is agent for the deal, which bears slightly higher margins than those paid previously by Italian borrowers.

The terms were negotiated some time ago and are not necessarily indicative of any true trend for Italian margins, bankers believe. Other lead managers are First Chicago, Banco di Napoli, Bank of Tokyo, Continental Illinois, European American and Wells Fargo.

Peter Montagnon

INTERNATIONAL BONDS

Healthy appetite for fixed-rate paper

ARE DOLLAR interest rates about to fall again? Judging by their behaviour last week, when they put another $500m of fixed-rate paper on offer, new issue managers in the Eurodollar bond market certainly think so. The new paper was issued mostly at yields well below those prevailing in the secondary market.

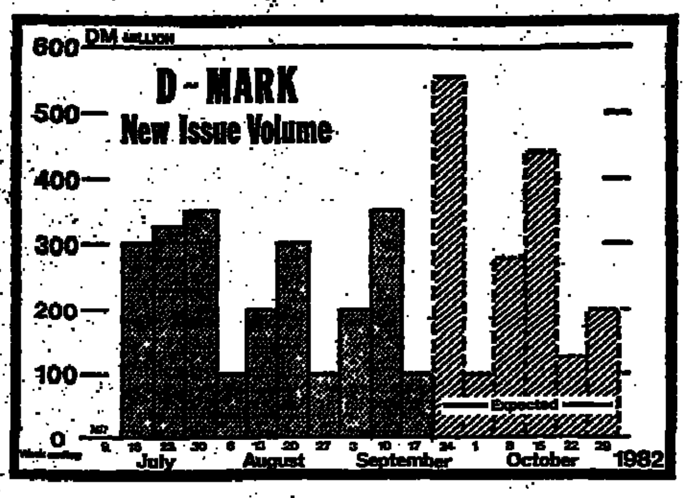
Added to the $900m brought to the market the week before, this produced a considerable overhang of new paper.

Yet there were few real signs of indigestion, and on Friday new issuing continued with a $100m, seven-year, 12¾ per cent bond for Seagram, the Canadian drinks group. Led by Salomon Brothers, Morgan Grenfell and Wood Gundy, this was priced at 99½ per cent to give a yield of 12.863.

No one pretends that all the new issues are selling fast, but with overnight borrowing rates from the bond clearing houses at around 11½ per cent, they could still if necessary be carried at a profit and placed as and when opportunities arise.

For the time being short-term interest rates are fairly steady—six month Eurodollars edged up last week by ⅛ point to finish at 12⅛. If they do fall again, issue managers who braved the market last week stand to reap handsome profits.

The lowest yielding new issue of last week, the $100m 12¾ per cent bond for Gulf Oil offered at a yield of 12.39, was quoted by lead manager Morgan Stanley on Friday at a discount of 1½-1¼ from its issue price of 99½.



This is a relatively small discount when one considers that the bonds of other triple-A rated borrowers such as the World Bank were yielding around 13.5 per cent in the secondary market.

In part, last week's crop of new issues was helped by the fact that most came from well-known North American corporations which appeal to investors on the continent.

An exception was the $75m, 13¾ per cent issue for Forsmarks, the Swedish nuclear power company. This bond needed a high coupon despite its Kingdom of Sweden guarantee because the borrower's involvement in the nuclear sector leaves it tainted in the minds of many investors.

The secondary market saw something of a shortage of paper last week as investors sought to buy into the higher yields prevailing there compared with the primary market.

Nonetheless prices moved ahead rather slowly, with gains over the week of around ⅛ per cent. On Friday the tone was firm, but the secondary market still has some way to go to catch up with the primary market, and this could be a sign that investors are less bullish on interest rates than the new issue managers.

Elsewhere, Exxon plans to auction $135m of five-year 11 per cent notes on September 28. Very limited trading was already taking place in these notes at the end of last week through Ross and Partners who were quoting the paper at 95⅞.

The D-Mark foreign bond market is expecting a high volume of new issues this week as the new DM 1.7bn calendar gets under way.

The market was little affected by the break-up of Germany's coalition government at the end of the week. Prices on Friday rose by around ¼ point bringing their gains on the week to around ½.

The tone of the market was helped by the announcement on Thursday of a new issue in the domestic market for the Bundespost, the federal post office, which is raising DM 800m through an 8¾ per cent bond issue priced at 99 per cent.

The coupon is ½ per cent lower than on previous state sector borrowings, a development which helped prices of foreign issues as well as domestic ones.

Today should see the launch of a DM 125m issue for Beecham, the UK pharmaceuticals and consumer products company, through Commerzbank. Four other issues during the week will bring the total volume to DM 550m, an exceptionally high total for this market.

Swiss franc foreign issues held fairly steady during the week amid hopes of a continuing decline in interest rates. The EEC is expected to make its debut in this market shortly with a SwFr 100m bond led by Soditic.

In the Samurai bond market the Mortgage Bank of Denmark is raising Y20bn through a ten year issue yielding 8.832 per cent and led by Nomura Securities.

P.M.

FRENCH BONDS

Heavy State spending plans fuel a revival

WHILE THE TIDES of international capital ebb and flow around the franc, France is gradually taking some long overdue steps to strengthen its domestic financial markets.

The Government is pushing through measures aimed at expanding the size and scope of the Paris bond market—a crucial pre-condition for the smooth financing of the heavy spending programmes being launched by the expanded public sector.

Following the placing of the latest FFr 10bn state loan last week, total new issues on the French bond market so far this year have now passed the FFr 100bn mark, almost as much as the overall FFr 107bn worth of issues in the whole of last year.

The Government's aim was that the market should absorb FFr 120-130bn of issues during the whole of 1982, but the target now appears likely to be exceeded. Next year, the volume is planned to rise to FFr 160bn.

Rising financing demands, not only from the public sector but also from French private industry—which, in contrast to the UK or West Germany, regularly uses the bond market—might be expected to put upward pressure on interest rates.

But, with Government steps to boost the flow of savings into bonds, bankers are confident that the market could eventually absorb as much as FFr 180bn a year.

The current dynamism of the Paris bond market is underlined by turnover figures on the secondary market. Crédit Lyonnais says total turnover in August reached a daily average of FFr 467m, more than double the FFr 209m of August 1981. For the second year running, the primary market also stayed open during August.

This revival appears to mirror the more relaxed attitude of the French financial markets towards the Socialist government.

As part of a general drive to channel more savings into long-term investments, the Finance Ministry has:

- Increased tax incentives for bond investors, by raising the tax threshold and keeping the basic levy at 25 per cent;
- Announced a new series of "renewable bonds" of five to eight years' maturity to be issued regularly as a less dramatic way of financing than the big state bond issues. They may entice investors from shorter-term Treasury bonds and other traditional savings instruments prized for their anonymity, from next year these will be taxed more heavily.

Other reasons for bond market's renewed popularity are the maintenance of exchange controls and the fall in popularity of gold and property.

The Ministry, which regulates the flow of issuers on the primary market, is toying with the idea of itself issuing floating-rate bonds.

David Marsh

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Kumagai Gumi Co.§‡	30	1997	15	6¾	100	Daiwa Europe, Sumitomo Fin., Nomura Intl.	6.5000
Prudential Ins.‡	150	1987	5	12¾	100	Hambros Bk, CSFB, Salomon Bros., Bache Halsey	12.750
Sparbankernas Bk.†‡	60	1990	8	5¼◇	100	Merrill Lynch, Sparbankernas	—
Walt Disney‡	75	1989	7	12½	100	Morgan Stanley, Paribas	12.500
Gulf Oil‡	100	1987	5	12¾	99½	Morgan Stanley	12.390
Forsmarks	75	1992	7.6	13¾	*	CSFB	
Marine Midland†‡	100	1994	12	5¼◇	100	Lehman Bros. Kuhn Loeb	—
Seagram‡	100	1989	7	12¾	99½	Salomon Bros., Morgan Grenfell, Wood Gundy	12.863
D-MARKS							
New Zealand‡	150	1989	7	8½	100½	Commerzbank	8.202
Johannesburg‡	50	1986	4	10	100	BHF-Bank	10.000
African Devt. Bank	100	1989	7	10	*	DG Bank	*
SWISS FRANCS							
Escom**‡	60	1986	—	7½	100	CS	7.625
Ushio**§‡	30	1987	—	6	100	SBC	6.000
Kawaski Steel	100	1992	—	*	*	SBC	6.625
EIB‡	100	1992	—	6½	99	UBS	6.390
Mitsubishi Motor**‡	50	1987	—	7	100	SBC	7.000
IADB**‡	75	1987	—	7¼	100	SBC	7.250
'K' Line**§	55	1987	—	6¾	*	CS	*
NOR. KRONERS							
Gaz de France‡	100	1987	5	13	99½	Sparebanken Oslo Akershus, Credit Lyonnais, Al-Mal	13.143
GUILDERS							
EEC‡	150	1994	12	10½	100½	ABN	10.425
YEN							
Mortgage Bk. Denmark‡	20bn	1992	9	8.6	99.7	Nomura Secs.	8.832

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◇ Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Fed's intervention allays fears of policy switch

WITH ALL the economic fundamentals still arguing for lower U.S. interest rates, sentiment in the New York credit markets remains positive.

For a while last week, the Federal Reserve unnerved the market by intervening with an unexpected round of matched sales designed to drain funds from the banking system and push interest rates up. But on Thursday and Friday, the central bank allayed any fears that it was tightening credit by intervening again in the market, this time by supplying funds to the banking system.

The pessimists have for some time been expecting the Fed to give the market a signal that, while adopting a more tolerant monetary posture, it would still keep money tight. In recent weeks the money supply has been growing above the official target range of 5½ per cent, and some bears have suggested the Fed would have to act to check this growth. The Fed has also said it will tolerate some money supply bulges, yet its tolerance level is still anybody's guess.

For this reason, the Fed's mixed signals this week sent the market into a bit of a tizz before its subsequent intervention, together with some pretty gloomy economic data, soothed any fears of a possible switch in Fed policy.

The latest economic statistics continue to reinforce the market's anticipation of still lower interest rates. Retail sales, which dropped by nearly 1 per cent in August, were surprisingly weak. Industrial production declined ½ per cent in August, for the 11th decline in the past 13 months. Factory capacity utilisation last month was down to 69.4 per cent—the lowest level in seven years. Housing starts were down a hefty 16.2 per cent, while preliminary figures for the third quarter are expected to show at the best a tiny increase in real gross national product.

As long as the economy remains weak, it seems unlikely the Fed will be moved to tighten up, whatever the money supply numbers show.

In these circumstances, the market expects the Treasury's auctions this week, involving as much as $11.75bn in notes and bonds, to sail through smoothly. The package includes the return of a long bond, with the sale on Thursday of $2.75bn of new 20-year bonds. These are the first long-term bonds to be sold by the Treasury since last February. The other auctions include $5bn of new four-year notes to be sold tomorrow and $4bn of new seven-year notes to be sold on Wednesday. At the same time, the Treasury will be selling $11.2bn three-month and six-month bills at its regular weekly bill auction today.

The Treasury financing, however, could put pressure on interest rates. Indeed, in his weekly credit market comments on Friday, Mr Philip Braverman of Chase Manhattan said interest rates should edge higher in response to heavy treasury financing, above-target M1 growth, and the approach of quarter end short-term borrowing pressures. He added, however, that "longer-term rate prospects remain favourable for the Government bond market."

The corporate market also continues to be bombarded with new issues in the wake of falling interest rates. Last week, new issue volume reached $595m for six straight debt issues including a good old-fashioned $200m offering by R. J. Reynolds Industries, the diversified tobacco company, of 30-year debentures at a yield of 13.35 per cent. The issue was about 90 per cent sold on the first day.

Paul Betts

U.S. INTEREST RATES (%)

	Week to Sept 17	Week to Sept 10
Fed Funds wkly. av.	10.51	10.55
3-month Treas. bills	8.00	8.33
3-month cd	11.00	10.70
30-year Treas. bonds	12.13	12.23
AAA utility	13.88	13.88
AA industrial	13.63	13.63

Source: Salomon Bros. (estimates). In the week to September 8 M-1 rose $4.3bn to $461.4bn.

La Centrale blames loss on connection with Rizzoli

BY RUPERT CORNWELL IN ROME

LA CENTRALE, holding company for the Italian interests of the now ruined Banco Ambrosiano of Sig. Roberto Calvi, yesterday reported a loss of L25.8bn (£18.3m) for the financial year to last June 30. The deficit is mainly the result of La Centrale's unhappy involvement with the Rizzoli publishing group, of which it owns 40 per cent.

At the same time, Nuovo Banco Ambrosiano, successor to the failed bank and dominant stockholder in La Centrale, used the latter's weekend shareholders' meeting to break with the past and instal an almost completely new board.

Of the previous 12 directors, only two remain, including Sig. Rocco Quattrone, the chairman, who moved in at the instigation of the Bank of Italy last month. The new 15-man board is overwhelmingly made up of representatives of the seven banks which jointly own Nuovo Banco Ambrosiano.

The shareholders' meeting, which lasted five hours, was on occasions heated, but was less stormy than might have been expected, given the controversy over the fashion in which La Centrale and the important assets under its control were handed over to the new bank.

Sig. Quattrone reported that La Centrale's total indebtedness through the year had risen to L321bn ($229m) by June 30 1982, and to L334bn last week, compared with only L166bn at the end of the 1980-81 financial year.

The deterioration was caused by borrowings of L110bn to finance La Centrale's subscription to the recent capital increases of Rizzoli and other subsidiaries, and by further debt servicing charges totalling L40bn.

The chairman also gave details of the repercussions of the Ambrosiano collapse on La Centrale and its major offshoots, the Toro insurance concern and the two north Italian banks, Credito Varesino and Banco Cattolica del Veneto.

The three companies held shares in the old Ambrosiano with a portfolio value of L54bn ($38m). These are now effectively worthless. Meanwhile the two banks have credits at risk for totals of L70bn and L52bn respectively.

The funds were lent to banks outside the old Ambrosiano group, the chairman said, which were refusing to repay them on the grounds that they were still owed money by Banco Ambrosiano's Luxembourg Holding, which is now in default on all its debts.

Sig Quattrone also confirmed that La Centrale intends to dispose of its holding in Rizzoli very quickly. Nuvo Ambrosiano is already pressing Rizzoli, which owns the important Corriere della Sera newspaper, for repayment of outstanding loans. But a settlement of the fate of Rizzoli and of the prestigious Milan daily paper will probably require the prior agreement of the political parties in Rome.

Downturn at Commercial Bank of Korea

By Ann Charters in Seoul

THE COMMERCIAL Bank of Korea reported a decrease in total assets and declining net profits for the first six months of the year, reflecting the difficult operating climate for Korean banks.

(The Government has cut interest rates on deposits and loans by roughly 6 per cent since the end of 1981.)

Total assets of the bank declined slightly from $9.6bn to $9.5bn in the half.

Income after tax dropped drastically from earlier projections, coming in at $8.9m for the six months compared to $42.1m for all of 1981. Income before taxes dropped from $55.8m for all 1981 to $16.4m for the mid-year results. The bank expects income from foreign exchange and internationally-related business to make up some of the deficit in its domestic operations, but profits will still be down this year.

Rothschild furthers expansion in U.S.

BY OUR BANKING CORRESPONDENT

ROTHSCHILD INC, the U.S. investment banking arm of the Rothschild group, has formed Rothschild Trading to spearhead the group's expansion into the U.S. financial futures, options and conversion arbitrage markets.

Mr Gerry Goldsmith, a managing director of E. F. Hutton, has been recruited to run the new operation which will work closely with NMR Metals, the U.S. bullion trading arm of N. M. Rothschild, the London merchant bank.

Mr Bob Pirrie, who took over as chief executive of Rothschild's U.S. operations in June, says the move will help integrate Rothschild's worldwide activities in this area as well as expanding Rothschild's presence in the U.S. where it employs around 100 staff.

Last year the Rothschild family interests bought full control of New Court Securities, the U.S. investment bank, renamed it and introduced new management. In addition to Mr Pirrie and Mr Goldsmith, Ms Madelaine Talley, who used to run the New York State pension fund, has been hired to look after Rothschild's core money management business.

Hume Malaysia profit up

HUME INDUSTRIES (Malaysia), the building materials manuacturer, lifted pre-tax earnings by 20 per cent to 32.6m ringgit (U.S.$14m) for the year ended June, Wong Sulong reports from Kuala Lumpur.

Turnover increased by 13 per cent to 261m ringitt, while after-tax profit was 15 per cent higher at 17.3m ringgit. The group is paying a final 10 cents dividend, making an unchanged 20 cents for the year.

Hume Malaysia manufactures asbestos pipes and sheets, and employs 2,600 workers in Malaysia and Singapore.

INTERNATIONAL APPOINTMENTS

New chairman at Visa International

● Mr Lars Erik Piehl, first executive vice president of Post-och Kreditbanken, Stockholm, Sweden, and president of Visa Sweden, has been elected chairman of VISA INTERNATIONAL. Mr Piehl remains chairman of the board of Visa's Europe, Middle East and Africa Region.

Mr Piehl succeeds Mr Lyman E. Seely, retiring vice-chairman of the board of First Interstate Bank of Oregon. Mr Piehl is the first European chairman of Visa International.

● Mr Sandy Ross-Macdonald will be leaving his position at Bahrain Aluminium as general manager in March next year to join GERALD METALS SA in Lausanne, Switzerland, as vice-president on April 1. Mr Andrew Geddes, currently aluminium trader for Gerald Metals SA, has been appointed director of the aluminium department in Lausanne.

● Mr Dean R. McKay has been elected to the board of MARSH AND MCLENNAN COMPANIES INCORPORATED. He retired in February of this year from IBM Corporation where he was a member of the corporate management committee and a member of IBM's board of directors. Mr McKay still has a continuing relationship with IBM, serving as a consultant, as a member of the IBM advisory board and as chairman of IBM's public responsibility committee.

● Mr T. Don Stacy is the 1983 president of the SOCIETY OF PETROLEUM ENGINEERS, U.S. He assumes office on September 28 at the SPE annual technical conference and exhibition in New Orleans, succeeding Mr W. Clyde Barton, Jr., director of production operations for the international oil division, Union Oil Company of California. Mr Stacy is production manager for Amoco Production Company (International) in Houston, Texas.

● The board of the International Newspaper Promotion Association (INPA) Europe division has elected Mr David Teague to be president for 1982-1983. He is marketing director of T. Bailey Forman, publisher of newspapers in the Nottingham area. He succeeds Mr Piet Antlerens, commercial director of De Standaard, Brussels. The newly elected first vice-president is Mr Wolf Krüger, circulation manager of Süddeutsche Zeitung, Munich.

● DATAPRODUCTS INTERNATIONAL has appointed Mr Pierre Ghouti as sales director for southern Europe and Mr Joe Hemani as European product manager. Both have joined from Data Recording Equipment. Mr Ghouti leaves his post as marketing director at Data Recording Equipment to head the French subsidiary, Dataproducts SARL, based in Paris. Mr Hemani was international sales manager at DRE.

● PARIBAS has promoted Mr Jean-Louis Masurel from senior executive vice president. Mr Masurel is in charge of the national banking division.

● Dr Kurt Reichlin has succeeded Dr Max Ammann-Grimm as vice-chairman of CHOCOLADEFABRIKEN LINDT SPRUENGLI AG, Kilchberg, Switzerland.

● Mr Hans Roesnberger, deputy general manager of Switzerland General Insurance, is on January 1 to succeed Dr Theo Schaetzle as managing director of LIMMAT INSURANCE, Zurich.

● SCIENTIFIC-ATLANTA INC, has appointed Dr Michael F. Teichmann as general manager of its German subsidiary, Scientific-Atlanta GmbH. He was with Micro Control Products, a U.S. firm of which he was president and chairman of the board. Dr Teichmann will be located at the company's office in Munich.

● Mr Neil B. Woodhams has been appointed general manager of HERCULES FINANCE, a finance company jointly owned by NZ Forest Products and UEB Industries. He was general manager Marac Corp, Auckland.

● Mr James L. Tolley has bas been elected vice-president, public affairs, of CHRYSLER CORP.

● Mr Rex L. Davis, chairman and president of Ranger Insurance, Mr Frederick F. Avery, president of Anderson Clayton Foods, and Mr Jennings F. Futch, president of the Igloo Corp, have been elected to the board of ANDERSON, CLAYTON & CO.

● AMERICAN MEDICAL INTERNATIONAL has elected five senior vice-presidents. Mr David R. Adamoli, financial operations; Mr Charles P. Reilly, director, United States hospital development; Mr Robert L. Bohlman, Mr Harrell D. Foitik and Mr Norman O. Loftin.

● Mr Rocco C. Siciano has been elected to the board of AMERICAN MEDICAL INTERNATIONAL. He is chairman and chief executive officer of Ticor, a Los Angeles-based financial services management company.

● Mr Daniel A. Molter has been appointed vice-president, finance, at DECISION DATA COMPUTER CORP. Mr Molter was chief financial officer, vice-president and controller of INA Service Co, Inc, and the INA operations division.

● Mr Joel Katz has joined the PLAYBOY CABLE NETWORK as senior vice-president, administration and business affairs, with responsibility for overseeing all financial, legal and administrative aspects of Playboy's pay TV programming development. Mr Katz was senior vice-president, business affairs and administration, MGM Television, for the past five years.

● Mr Alan J. Lacy has been appointed an assistant treasurer of DART & KRAFT, INC. He was director of corporate finance since May 1981.

● Mr James J. Leisenring, partner and director of accounting and auditing in the firm of Bristol Leisenring Herkner & Co, Battle Creek, Michigan, and chairman of the Auditing Standards Board of the American Institute of Certified Public Accountants, has been appointed director of research and technical activities of the FINANCIAL ACCOUNTING STANDARDS BOARD.

● TYCO LABORATORIES, INC has appointed Mr James T. Gard vice-president, chief financial officer. Mr Gard was appointed vice-president of Simplex Wire and Cable, a Tyco subsidiary, in February 1978.

● Mr John L. Vensel has been named president of the Garlock mechanical packing division of COLT INDUSTRIES INC. He was president of the crucible stainless and alloy division.

● PENNWALT CORP has elected Mr Frank R. Guinan Jr as assistant controller. Since 1979, Mr Guinan has served as general manager of the Keyston lubricating division.

● Gen David C. Jones, recently retired chairman of the Joint Chiefs of Staff, has been elected a member of the USAir board. He also serves as a member of the boards of Radio Corp of America, the National Broadcasting Co, and the Kemper Group.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	104¼	105¼	+0¼	+0¼	13.08
Amex Int. Fin. 15¼ 92	75	102⅛	102⅝	+0½	+0⅜	15.69
Amex O/S Fin. 14¼ 89	75	101½	102	+0⅜	+0⅛	13.77
ATT 14¼ 89	400	106⅜	107⅛	+0¼	+1	12.59
Baker Int. Fin. 0.0 92	225	27⅜	28⅛	+0¼	−0⅜	14.49
BHP Finance 14¼ 89	150	99⅛	99⅜	+0¼	+0¼	14.82
Bk. Amer. NT SA 12 87	200	93⅞	94⅛	+0⅛	+0⅜	13.76
Bk. Montreal 14½ 87	100	96½	97	+0⅜	−1¼	15.45
Bque. Indo Suez 15 89	100	100⅜	100⅞	+0¼	+0⅞	14.79
British Col. Hyd. 14½ 89	200	102⅜	103⅛	+0¼	−0½	13.97
British Col. Hyd. 15¾ 92	150	105⅛	106⅛	+0¼	+0½	14.08
Canada 14½ 87	750	103⅞	104⅛	+0¼	+0⅜	13.10
Canadair 15½ 87	150	103⅛	103⅞	+0⅛	−0¼	14.27
Canadian Pac. 14½ 92	75	99⅛	99⅝	+0¼	−0⅜	14.71
Can. Pac. Sec. 15 89	75	100¼	100⅝	0	0	14.86
CIBC 16 87	100	100⅜	101⅛	+0½	+1⅛	15.58
Citicorp O/S 15 84/92	100	99⅝	100⅛	+0¼	+0¼	14.72
Citicorp O/S 15½ 85/97	125	101⅛	101⅝	+0¼	+0¼	14.65
CNA 15⅞ 97	75	104½	105	+0⅛	−0⅞	15.01
Con. Illinois 15¾ 89	100	96½	97⅛	+0⅛	+0½	16.49
Deutsche Bk. F. 14¼ 89	300	101	101⅝	+0¼	+1⅛	13.94
Duke Pwr. O/S 15½ 89	60	103	103½	+0¼	−0¼	14.63
Du Pont 14½ 89 WW	200	101⅝	102⅛	+0¼	−0⅜	13.68
ECSC 14¾ 87 (April)	80	102	102½	+0⅜	+0½	13.97
EIB 15¼ 89	150	103⅛	103⅝	+0½	+0⅜	14.54
EIB 15½ 92	100	103⅝	104⅛	+0⅜	+0¼	14.70
Eksportfinans 14⅞ 89	50	101½	102	+0½	+1⅛	14.02
Gen. Elec. Credit 0.0 92	400	30⅜	30⅞	0	+0⅝	13.39
Gen. Elec. Credit 0.0 93	300	27¼	27⅞	+0⅜	+0⅛	13.19
Getty Oil Int. 14 89	125	103⅛	103⅞	+0⅜	0	13.10
GMAC O/S 15¼ 85/97	100	101⅛	101⅝	+0¼	−0¼	14.44
GMAC O/S Fin. 15 89	125	102	102½	+0⅛	−0⅜	14.40
GMAC O/S Fin. 15 87	100	102⅜	103	+0⅛	+0¼	14.09
Gulf Canada Ltd 14½ 92	100	101⅛	102¼	+0⅛	−0⅛	14.30
Gulf Oil 14¼ 94	175	101¼	101⅞	+0¼	+0⅜	13.94
Gulf Oil Fin. 0.0 92	300	30⅛	30⅝	−0⅛	0	13.43
New Brunswick 15¾ 87	75	104	104½	+0⅛	+0½	13.96
New Brunswick 16¼ 89	75	105⅛	105⅝	+0⅛	+0⅛	14.83
Nova Scotia Pr. 15¼ 89	75	103⅛	103⅞	+0½	+0⅞	14.36
Ontario Hydro 14¾ 89	150	104⅛	105	+0⅛	−0⅛	13.56
Ontario Hydro 15 92	150	104⅛	104⅝	+0⅛	−0⅛	14.09
Pac Gas & El. 15½ 89	45	103	103½	+0⅛	+0⅞	14.63
Phillips Petrol 14 89	200	101½	102	+0⅛	−0⅛	13.53
Saskatchewan P. 15 92	150	102⅛	103½	+0⅛	−0⅛	14.42
Shell Canada 14½ 92	125	101½	102	0	−0⅞	13.99
Superior O/S Fin. 14 89	125	101½	102	+0¼	0	13.54
Swed. Exp. Cr. 15¼ 89	100	102½	102⅝	0	0	14.80
Swed. Exp. Cr. 14¾ 90	100	99⅝	100⅛	0	+0¼	14.70
Swed. Exp. Cr. 0.0 94	200	20⅝	21⅛	−0⅛	−0⅛	14.56
Texas Eastern 15¾ 89	60	101½	102	+0¼	−0⅞	15.26
Union Carbide 14¾ 89	150	101⅝	102¼	+0¼	−0⅛	14.21
Wells Fargo Int. 15 87	75	100⅛	100⅝	+0⅛	−0¼	14.90
World Bank 14¾ 87	500	101⅛	101⅝	+0⅛	+0⅛	13.73
World Bank 15 87	250	102⅛	103⅛	+0⅛	−0⅛	14.08
World Bank 15 88	150	103⅛	103⅞	+0⅛	0	14.03
Xerox Fin. 14 87 WW	100	101½	101⅞	0	+0½	13.51

Average price changes... On day +0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asn. D. B. 9¼ 92 (Apr)	150	98⅜	99⅛	+0¼	−0⅛	9.40
Asn. D. B. 9¼ 92 (Aug)	150	98⅝	99⅛	+0⅛	0	9.38
Austria 8⅞ 92	100	96⅛	97⅛	+0¼	+0⅝	8.84
Barclays O/S In. 8¾ 94	100	96⅞	97	+0½	0	8.82
Black and Decker 9¾ 89	100	101⅛	102⅛	+0⅛	+3	8.75
Bowater Int. Fin. 8⅞ 89	50	96⅝	96⅞	+0¼	+0¼	9.21
Caisse Nat. Tels. 9½ 92	100	101½	101⅞	0	+0⅛	9.27
Canada 8½ 89	200	102⅜	103¼	0	0	7.89
Cred. Foncier 8¾ 92	100	97⅛	97⅝	−0⅛	−0½	9.14
EIB 8½ 92	100	97	97½	+0⅛	−0¼	8.78
Int. Am. Dev. Bk. 9 92	150	98⅞	99⅜	+0⅛	+0½	9.19
ITT Antilles 9¼ 92	100	101	101½	+0⅛	+0⅛	9.05
Nacnl. Financiera 11 90	150	82	83⅛	+0⅜	+7⅛	14.98
Norsk Hydro 8½ 92	100	100⅛	100⅝	0	+1	8.43
Norsk Hydro 9 92	100	102⅝	102⅞	+0¼	+1⅛	8.59
OKB 8⅞ 89	100	99⅛	99⅝	+0⅛	+0¼	8.95
OKB 9 89	75	*98⅝	99⅛	−0⅛	+0⅛	9.22
Philips Lamps 8⅞ 92	100	101⅛	101⅝	+0⅛	+0⅛	8.28
Philip Morris 8⅞ 90	100	101⅛	101⅝	+0⅛	−0⅛	7.99
Renfe 10 92	100	99⅝	100⅛	+0⅛	0	10.00
SNCF 8⅞ 92	100	98	98½	+0¼	+0½	8.89
Tenneco Int. 9 92	100	99⅝	100⅛	+0½	+0⅛	9.01
World Bank 8½ 92	200	98⅛	98⅝	+0¼	−0⅛	8.74
World Bank 9 92	200	100⅜	101⅛	+0⅜	+0⅛	8.86

Average price changes... On day +0½ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6¼ 92	100	102⅜	102⅞	−0⅛	+0⅛	5.86
Asian Dev. Bank 7 92	100	99⅛	99½	−0½	0	7.09
BNP 6½ 92	100	99⅛	99⅜	−0⅛	+0½	6.82
Eldorado Nuclear 6½ 92	100	103	103¼	+0⅛	+0⅛	6.07
Europarat 7¼ 92	100	100⅞	101⅛	+0⅛	−0⅛	7.10
Ind. Fund Finland 6¾ 92	30	99½	99⅞	−0⅛	−0⅛	6.80
Japan Dev. Bank 6 94	100	101⅛	101½	−0½	0	5.83
Kansai El. Power 6¾ 92	100	102⅛	102⅝	−0½	−0⅛	6.38
Koa Oil Co. 7 92	75	102⅛	102⅝	−0⅛	−0⅛	6.63
Kobe City 6½ 92	100	101⅛	101⅝	−0⅛	−0⅛	5.91
Lonrho Int. Fin. 7½ 92	80	93⅞	93⅞	+0½	0	8.54
Mont Blanc Tun. 7¾ 92	70	102⅛	103	−0⅛	+0½	6.72
Nafinsa 8⅛ 92	80	73	73⅛	+0⅛	−2⅛	13.31
Natomas O/S F. 7¾ 90	75	102⅞	103⅛	−0⅛	−0½	7.06
New Zealand 6 92	100	102⅛	102⅝	−0⅛	+0⅛	5.65
Nippon Tel & T. 6⅝ 92	100	103⅛	103⅝	−0⅛	−0⅛	6.01
NYK 6¾ 92	100	99⅛	99½	−0½	0	6.84
OKB 7⅞ 92	100	102⅛	102⅝	+0⅛	0	6.87
Quebec Hydro 6¾ 92	100	103	103½	0	+0½	6.19
Renfe 7¾ 92	80	96⅛	96⅞	+0⅛	−0⅛	8.30
Sumitomo Metal 6⅞ 92	100	97⅛	98⅛	−1⅛	−1⅛	7.03
Svenska Handels. 6⅞ 92	100	99⅛	99⅝	−0⅛	−0⅛	6.94
Swed. Exp. Cred. 7¼ 91	100	100⅛	100⅝	0	+0⅛	7.17
Tiroler Wasser 6⅞ 92	100	99⅝	99⅞	−0⅛	−0⅛	6.42
TNT O/S Fin. 8⅞ 92	100	95⅝	96⅛	+0⅛	+0⅛	7.46
World Bank 7¼ 92	100	103⅛	103⅞	+0⅛	−0⅛	6.71

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8½ 92	15	97⅞	98⅜	0	+0¼	8.61
Int.-Amer. Dev. 8⅞ 91	15	101½	102½	+0⅛	+0¼	8.54
Japan Airlines 7⅞ 87	9	96⅛	97	+0⅛	+0½	8.80
New Zealand 8⅛ 87	15	99⅛	100⅛	0	−0⅛	8.29
World Bank 8⅛ 92	20	99⅛	100	0	+0⅛	8.42

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	100	†103½	104	+0¼	+1⅛	15.09
Br. Col. Tel. 17¼ 88 C$	50	†103½	103⅝	0	−0⅛	16.31
Can. Utilities 17 87 C$	35	†105½	106	0	+1	15.23
Gaz Metro. 17¼ 90 C$	20	†101⅛	102⅛	0	+1⅛	16.76
OKB 16⅛ 88 C$	63	†103	103½	+0¼	+0½	15.30
Q. Hyd. 16½ 89 (M) C$	50	†103½	104	+0½	+2	15.49
Univ. Queb. 16⅞ 87 C$	17	†100	101	0	+0½	16.40
U. Bk. Nwy. 9½ 90 EUA	18	96⅛	97½	0	+0⅜	10.07
Amro Bk. 10 87 (M) Fl	150	100⅛	101	+0⅛	+0⅛	9.78
Amro Bk. 10 87 (A) Fl	75	100⅛	101	+0⅛	+0⅛	9.79
Bk. Mees & H. 10 87 Fl	75	99	99½	0	+0⅛	10.18
EIB 10 87 Fl	75	99⅛	99⅝	0	+0⅛	10.13
Ireland 10½ 87 Fl	75	99⅛	99⅝	0	−0⅛	10.87
OKB 10⅛ 87 Fl	75	100⅛	100⅝	+0⅛	+0⅛	10.35
OKB 14 86 FFr	400	93⅞	94⅛	0	−0⅛	16.48
Solvay et C. 14⅛ 86 FFr	200	94	95	0	−0⅛	16.85
Beneficial 14⅛ 90 £ (D)	20	93	94	0	+0⅛	15.87
BFCE 14½ 87 £	30	105	106	+0⅛	+0⅛	12.84
BNP 13½ 91 £	15	101⅛	102⅛	−0⅛	−0⅛	13.10
CECA 13½ 88 £	20	103½	104½	0	+0½	12.51
Fin. Ex. Cred. 13¼ 86 £	15	101⅛	102⅛	+0⅛	0	13.02
Gen. Elec. Co. 12½ 89 £	50	102⅛	103⅛	−0⅛	−0⅛	11.85
Hiram Walker 14⅛ 86 £	25	102	103	0	+0⅛	13.25
Norsk Hydro. 14½ 87 £	30	105⅛	106⅛	0	+0⅛	12.81
Privatbanken 14½ 88 £	12	97⅞	98⅞	0	−1⅛	14.98
Quebec 15½ 87 £	35	104⅛	105⅛	0	+0⅛	13.79
Quebec Prov. 14½ 89 £	30	101½	102⅛	+0⅛	+0⅛	14.04
Reed (Nd) NV 16⅛ 89 £	25	107⅛	108⅛	0	+0½	14.74
Royal Trustco 14 86 £	12	102	103	−0⅛	+0⅛	12.98
SDR France 15½ 92 £	30	105⅛	106	+0⅛	+0⅛	14.33
Swed. Ex. Cr. 13⅛ 86 £	20	101⅛	102⅛	−0⅛	−0½	12.88
Tenneco Int. 14⅛ 87 £	30	100⅛	101½	0	+0⅛	14.35
Coun. Eur. 12½ 92 LuxFr	500	107⅛	108⅛	0	+1½	11.14
Eurofima 10⅛ 87 LuxFr	500	99⅛	100⅛	−0⅛	+1⅛	10.42

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98	98½	15/10	15.69	15.97
Bk. of Tokyo 5¼ 91 (D)	0⅛	99⅜	100⅛	8/12	15⅛	15.25
Bk. Nova Scotia 5¼ 93	0⅛	98⅛	98⅝	29/10	15⅛	15.37
BFCE 5¼ 88	0¼	99⅝	100	28/10	15	15.04
BFCE 5¼ 87	0⅛	99⅛	100	27/1	14	14.04
Caisse Nat. Tels. 5¼ 90	0⅛	98⅛	99⅛	21/10	15⅛	15.83
CCCE 5¼ 2002	0⅛	98⅛	98⅝	11/12	15⅛	15.61
CEPME 5¼ 92	0⅛	99⅞	100⅛	10/12	15.44	15.42
Chemical NY 5¼ 94	‡0¼	98½	99	23/9	16.69	16.90
Credit Agricole 5¼ 97	0⅛	99⅛	99⅝	24/9	15.44	15.52
Credit du Nord 5¼ 92	0⅛	99½	100	23/12	16.81	16.86
Credit Lyonnais 5¼ 97	0⅛	99½	100	1/10	16	16.04
Credit Lyonnais 5⅛ 94	0⅛	98⅛	98⅝	1/1	16.94	17.11
Credit Nat. 5¼ 94	‡0¼	98⅛	99⅛	9/3	12.18	12.32
Ireland 5¼ 89/94	0⅛	†98⅛	98⅝	25/11	14⅛	14.97
Kansallis Osake 5½ 92	0⅛	99½	100	6/11	15.31	15.35
Lloyds Eurofin 5¼ 93	§0⅛	99½	100	29/10	17⅛	17.17
Long Term Cred. 5¼ 92	0⅛	99⅛	99⅞	28/11	14⅛	14.68
J. P. Morgan 5¼ 97	§0⅛	98	98½	12/11	12.94	13.04
Nat. West. Fin. 5¼ 91	§0⅛	100⅛	100⅝	15/1	15⅛	15.19
New Zealand 5¼ 87	0⅛	99⅛	99⅝	7/10	15.56	15.62
Nippon Credit 5¼ 90	0⅛	99⅛	99⅞	10/2	13⅞	13.93
Offshore Mining 5¼ 91	0⅛	99⅞	100⅛	2/12	14.19	14.17
PKbanken 5 91	0⅛	100	100½	17/12	15.81	15.77
Scotland Int. 5¼ 92	0⅛	98½	99	23/9	15⅛	15.57
Sec. Pacific 5¼ 91	0⅛	99½	100	24/11	15	15.04
Societe Generale 5¼ 95	0⅛	98⅛	99⅛	1/3	12.81	12.93
Standard Chart. 5¼ 91	0⅛	98⅛	99⅛	18/11	14⅞	14.93
Sweden 5¼ 89	0⅛	98⅛	99⅛	26/2	11.81	11.93
Toronto Domin'n 5¼ 92	0⅛	98⅛	98⅝	11/2	14.31	14.55

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	81½	83⅛	−0⅛	12.08
Bow Valley Inv. 8 95	4/81	23.12	98½	100⅛	+0⅛	45.28
Bridgestone Tire 5½ 96	3/82	470	86⅛	87⅛	0	3.56
Canon 6⅛ 95	1/81	736.3	102⅛	104⅛	−1⅛	7.50
Canon 7 97	7/82	748.2	113⅛	114⅞	−1⅛	9.49
Chugai Pharm. 7⅛ 96	7/82	709.6	113⅞	115⅛	−0⅛	4.11
Fujitsu Fanuc 4⅛ 96	10/81	564.1	93	95	+0⅛	31.33
Furukawa Elec. 5⅛ 96	7/81	300	90½	92⅛	−4⅛	0.67
Hitachi Cable 5⅛ 96	2/82	515	89	90⅛	0	5.17
Hitachi Cred. Cpn. 5 96	7/81	1612	71	73	−0⅛	23.32
Honda Motor 5½ 97	3/82	835.8	88⅛	90⅛	−0⅛	10.10
Kawasaki 5⅛ 96	9/81	229	59	60⅛	0	20.28
Marui 6 96	7/81	846.4	94⅛	96⅛	+0⅛	8.48
Minolta Camera 5 96	10/81	826.4	62⅞	64⅛	+1⅛	28.79
Minorco 9⅛ 97	5/82	8.16	†104½	106½	−0⅛	3.95
Murata 5⅛ 96	7/81	2168	71⅛	72⅛	−0⅛	24.88
NKK 6⅛ 96	7/81	188	68	69⅛	−0⅞	22.33
Nippon Electric 6⅛ 97	2/82	846	93⅛	94⅞	−1⅛	11.70
Orient Finance 5⅛ 97	3/82	1205	85⅛	88⅛	+1	12.96
Sanyo Electric 5 96	10/81	652	66⅞	68⅞	−0⅛	22.28
Sumitomo Elec. 5½ 97	3/82	577.3	86⅛	88	0	3.86
Sumitomo Met. 5⅛ 96	10/81	296.1	80½	82	+0½	57.68
Minebea 6½ 92 SwFr	10/82	557	102⅞	104⅞	−0⅛	1.72
Konishiroku 6⅛ 88 DM	8/82	816	102⅛	103⅛	0	13.32
Mitsubishi H. 6 89 DM	2/82	263	90⅞	91⅞	+0⅛	35.98

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	4,737.3	7,563.3
Previous week	4,967.9	7,409.0
Other bonds		
Last week	1,028.8	643.8
Previous week	1,195.5	451.7

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 17

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

NORWAY

ITALY

AUSTRALIA

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

SWEDEN

SWITZERLAND

SOUTH AFRICA

SINGAPORE

BRAZIL

SPAIN

1982 High	Low	Sept. 17	Price %
366	270	Bco Bilbao	270
362	244	Bco Central	245
324	206	Bco Exterior	206
357	236	Bco Hispano	236
367	214	Bco Santander	216
395	280	Bco Vizcaya	280
180	85	Dragados	95
68.2	47	Hidrola	47
59	39	Iberduero	39.7
104.5	59	Petroleos	59
74	60	Telefonica	61.6

Financial Rand US$0.73½ (Discount of 15¼%)

Indices

NEW YORK —DOW JONES

	Sept. 17	Sept. 16	Sept. 15	Sept. 14	1982 High	1982 Low
AUSTRALIA						
All Ord. (1/1/80)	506.2	496.7	494.7	495.4	565.5 (4/1)	443.2 (8/7)
Metal & Minls. (1/1/80)	408.5	405.0	406.0	406.2	425.1 (6/1)	299.0 (8/7)
AUSTRIA						
Credit Aktien (2/1/62)	48.46	48.53	48.49	48.64	56.96 (4/1)	48.07 (25/6)
BELGIUM						
Belgian SE (31/12/63)	105.33	105.52	101.99	102.11	105.33 (17/9)	98.42 (28/1)
DENMARK						
Copenhagen SE (1/1/73)	111.16	111.06	110.64	109.53	126.22 (25/2)	109.51 (13/8)
FRANCE						
CAC General (31/12/81)	100.10	100.2	98.10	98.80	111.6 (12/6)	93.9 (12/8)
Ind Tendance (31/12/81)	116.20	117.0	114.80	114.10	124.8 (12/5)	97.7 (4/1)
GERMANY						
FAZ-Aktien (31/12/58)	232.62	230.28	227.35	224.60	253.45 (5/4)	214.06 (17/8)
Commerzbank(Dec 1953)	704.8	697.20	688.0	680.20	729.8 (5/4)	650.2 (17/8)
HOLLAND						
ANP-CBS General (1970)	87.4	87.5	86.7	85.8	95.0 (10/5)	84.0 (6/1)
ANP CBS Indust (1970)	68.6	68.3	68.4	68.5	74.8 (18/5)	65.2 (4/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1088.28	1090.1	1088.26	1092.59	1445.52 (12/1)	937.28 (16/8)
ITALY						
Banca Comm Ital.(1972)	164.67	162.16	165.25	163.15	212.56 (19/5)	147.25 (22/7)
JAPAN**						
Dow Average (16/5/49)	7082.51	7087.9	—	7096.3	7926.55 (27/1)	6864.56 (17/8)
Tokyo New SE (4/1/68)	530.31	531.82	—	532.77	585.29 (27/1)	511.52 (17/8)
NORWAY						
Oslo SE (1/1/72)	117.04	116.95	116.5	116.26	130.38 (28/1)	109.12 (1/4)
SINGAPORE						
Straits Times (1966)	640.11	657.06	657.41	653.4	819.75 (6/1)	557.07 (18/8)
SOUTH AFRICA						
Gold (1958)	653.9	684.2	649.8	656.6	554.2 (16/9)	355.5 (8/7)
Industrial (1958)	632.5	630.6	619.2	616.4	771.7 (18/1)	507.5 (28/6)
SPAIN						
Madrid SE (30/12/81)	80.88	87.32	81.93	82.53	107.45 (9/2)	80.39 (17/8)
SWEDEN						
Jacobson & P. (1/1/58)	637.77	639.5	641.80	626.81	758.52 (22/1)	593.52 (29/4)
SWITZERLAND						
SwissBank Cpn.(31/12/58)	250.4	250.0	248.8	248.4	266.1 (11/1)	237.0 (17/8)
WORLD						
Capital Intl. (1/1/70)	—	135.50	136.5	135.7	147.2 (4/1)	118.4 (13/8)

(**) Saturday Sept 11: Japan Dow 7072.38; TSE 530.5.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

Seasonal fog patches

The season of fogs and mists seems to be spreading its influence into the financial markets. London domestic interest rates are locked onto a general level of 11 per cent and probably will stay there until the weather clears a little. Despite a feeling in the market that the next cut in clearing bank base rates may have been pushed a little further into the future the Bank of England has problems last week finding enough bills to take out the daily shortages of credit. This may have been partly a reflection of reluctance by the discount houses to part with paper on a permanent basis, but could also be a sign of lack of market liquidity.

The authorities also seem reluctant to arrange too many repurchase agreements at the moment, only providing one such agreement last week, on Wednesday following an unexpected market shortage. On that day the shortage was thought to be in the region of £500m, but was later revised to £700m, with the Bank of England buying £226m bills in the afternoon for resale to the market at a later date.

Bills resold to the market from unwinding repurchase agreements were largely responsible for the shortage of £600m on Monday and were a major factor behind Tuesday's shortage of £550m.

Bank of England market dealing rates for buying bills from the market have not changed since the last cut in base rates at the end of last month. The authorities are probably waiting for the fog to clear on the other side of the Atlantic before prompting the banks to move again. Wednesday's action by the Federal Reserve to drain reserves from Federal funds market was almost certainly a technical move to smooth liquidity flows, but ahead an expected very large rise in weekly M1 money supply there was enough to cause a minor scare in New York and London.

Statistics on industrial production and factory use released last week underlined the weakness of the U.S. economy, leading some observers to doubt the Fed's willingness to tighten credit even if the money supply remains above target. But until the attitude of the U.S. authorities becomes a little clearer caution is likely to be the watchword.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Sept. 17	change		Sept. 17	change
LONDON			**NEW YORK**		
Base rates	10⅛	Unch'd	Prime rates	13½	Unch'd
7 day Interbank	10⅞-11⅛	Unch'd	Federal funds	10¼-10½	Unch'd
3 mth Interbank	10 15/16-11⅛	+1/16	3 mth. Treasury Bills	7.96	-0.4
Treasury Bill Tender	10.0701	+0.1649	6 Mth. Treasury Bills	9.48	-0.24
Band 1 Bills	10⅝	Unch'd	3 Mth. C.D.	11.10	-0.15
Band 2 Bills	10½	Unch'd	**FRANKFURT**		
Band 3 Bills	10⅜	Unch'd	Lombard	8.00	Unch'd
3 Mth. Treasury Bills	10⅛	+⅛	One Mth. Interbank	7.925	-0.125
1 Mth. Bank Bills	10 19/32-10⅝	Unch'd	Three month	8.125	-0.05
3 Mth. Bank Bills	10 13/32-10¼	+1/16	**PARIS**		
TOKYO			Intervention Rate	14	Unch'd
One month Bills	7.21875	-0.0625	1 Mth. Interbank	14 1/16	-⅛
Three month Bills	7.21875	-0.0625	Three month	14 1/16	-⅛
BRUSSELS			**MILAN**		
One month	12½	-⅜	One month	18 1/16	-⅛
Three month	12⅝	-½	Three month	18 1/16	-⅛
AMSTERDAM			**DUBLIN**		
One month	7 1/16	Unch'd	One month	15⅝	-⅛
Three month	7 1/16	Unch'd	Three month	15⅜	-⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. * Band 4 10¼.

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 17	Sept. 10		Sept. 17	Sept. 10
Bills on offer	£100m	£100m	Top accepted rate of discount	10.1077%	9.9874%
Total of applications	£566.03m	£531.50m	Average rate of discount	10.0701%	9.9052%
Total allocated	£100m	£100m	Average yield	10.53%	10.16%
Minimum accepted bid	£97.48	£97.51	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	3%	59%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	bid 12⅛	offer 12¼
6 months U.S. dollars	bid 13	offer 13⅛

The fixing rates (Sept 10) are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Sept. 17 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	10-15	10¾	—	—	11	10-10¾	—	—	—
2 days notice	—	—	10¾	—	—	—	—	—	—	—
7 days or 7 days notice	—	10⅞-11⅛	10¾	—	—	—	10½-10⅝	—	—	—
One month	11 1/16-10⅞	10 15/16-11⅛	10⅞	11⅝-11⅜	10⅞	11⅛	10½	10⅝-10 17/32	10 17/32-10 7/16	11 1/32
Two months	10 15/16-10¾	10⅞-11⅛	10 15/16	11⅜-11⅛	11	11 1/16	10⅛	10⅝	10⅜	11
Three months	10½-10¾	10 15/16-11⅛	11	11¼-11	11	11 3/16	9¾-10	10⅛	10½-10¼	10 27/32
Six months	10⅞-10 13/16	10 15/16-11⅛	11	10-9¾	11⅛	11 3/16	—	—	10⅛	10 15/16
Nine months	10 13/16-10 15/16	11-11⅛	—	10⅞-10½	11⅛	—	—	—	—	—
One year	10 15/16-10 13/16	11 1/16-11 3/16	10⅞	10¾-10⅜	11 3/16	—	—	—	—	—
Two years	—	—	11⅛	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance. Scheme IV Average Reference Rate for interest period 4 August to 7 September 1982 (inclusive): 11.097 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 11⅛ per cent; four years 11⅜ per cent; five years 11⅝ per cent. ◆Bank bill rates in table are buying rates for prime papers. Buying rates for four-months bank bills 10⅛ per cent; four months trade bills 10⅝ per cent.

Approximate selling rate for one month Treasury bills 10⅝-10½ per cent; two months 10⅛-10⅝ per cent and three months 10 per cent. Approximate selling rate for one month bank bills 10⅝-10 33-64ths per cent; two months 10⅝-10 21-64ths per cent and three months 10⅝ per cent: one month trade bills 10⅝ per cent; two months 10⅞ per cent; three months 10⅜-10⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12 per cent from September 1 1982. London and Scottish Clearing Bank Rates for lending 10⅛ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 10.0701 per cent. Certificates of Tax Deposit (Series 5) 11 per cent from August 18. Deposits withdrawn for cash 9 per cent.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	11-11⅛	10⅝-10⅞	11½-12½	7 1/16-7 5/16	1¼-1½	7¼-7⅜	14-14½	17-18½	12-13	11⅛-12	6¾-7	25-35
7 day's notice	10⅞-11⅛	11-11¼	13-14	7⅛-7½	2¼-2¾	7 1/16-7 3/16	14½-15½	17-18½	12¼-13¼	12-12¼	7-7⅛	28-38
Month	11-11⅛	11¼-11½	13⅜-13⅝	7¾-7⅞	3¾-3⅞	7½-7⅝	17-18	18⅝-19⅜	11¾-12¾	12¼-12½	7¼-7⅜	29½-34½
Three months	11-11⅛	11 15/16-12 1/16	13⅜-13⅝	7 1/16-7 3/16	4 1/16-4 3/16	7 1/16-7 3/16	18½-19½	20¼-21	12½-13½	12½-12¾	7⅛-7¼	22-25
Six months	11⅛-11¼	12 15/16-13 1/16	14⅛-14⅜	8½-8⅝	4⅞-5	8¼-8⅜	18¾-19¾	21¾-22¼	13¼-14¼	13-13¼	7½-7⅝	20-23
One Year	11 1/16-11 3/16	13 1/16-13 3/16	14⅝-14⅞	8 7/16-8 9/16	5 1/16-5 3/16	8¼-8⅜	19-20	21⅝-22½	13¼-14¼	13⅜-13⅝	7½-7⅝	18½-20

SDR linked deposits: one month 10⅝-10⅞ per cent; three months 11-11¼ per cent; six months 11⅜-12 per cent; one year 11⅝-12⅛ per cent.

ECU linked deposits: one month 11⅛-11⅜ per cent; three months 11⅝-12 per cent; six months 12⅛-12⅜ per cent; one year 12⅜-12⅝ per cent.

Asian $ (closing rates in Singapore): one month 11⅛-11¼ per cent; three months 12-12⅛ per cent; six months 12⅛-12¼ per cent; one year 13⅛-13¼ per cent. Long-term Eurodollar: two years 13⅛-14⅛ per cent; three years 14-14⅛ per cent; four years 14⅛-14⅝ per cent; five years 14⅝-14⅞ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar-certificates of deposit: one month 10.55-10.65 per cent; three months 11.50-11.60 per cent; six months 12.10-12.20 per cent; one year 12.70-12.80 per cent.

CURRENCIES AND GOLD

Money supply fears

Markets were generally preoccupied with a recurring pastime last week, trying to guess the rise in the weekly U.S. M1 money supply. A large rise in the M1 figure was confidently predicted, but estimates ranged anywhere up to $10bn, with most suggesting figures between $3bn and $7bn. This uncertainty, coupled with further signs of a depressed U.S. economy and confusing signals from the Federal Reserve on monetary control, was enough to keep the foreign exchanges rather quiet for the most part.

The dollar rose slightly to DM 2.4990 from DM 2.4980 against the D-mark, was unchanged at Y262.75 against the yen, and fell to FFr 7.07 from FFr 7.0925 against the French franc, and to SwFr 2.1325 from SwFr 2.1450 in terms of the Swiss franc.

Sterling ended on a weak note as the continuing dispute between the Government and the health service workers, building up to next week's "day of action," and a possible confrontation with the miners over pay gave the market some concern.

The pound's trade-weighted index eased to 91.6 from 91.7, and sterling fell to DM 4.2825 from DM 4.2925; to FFr 12.1050 from FFr 12.14; and to SwFr 3.6550 from SwFr 3.67, but improved slightly to Y450.0 from Y449.50.

The French franc fell to a record low against the dollar on Monday, and was supported by the Bank of France against the D-mark on Tuesday. But sentiment changed with Wednesday's announcement of a standby loan of FFr 4bn to defend the currency. The obvious determination of the authorities to defend the franc has been enough to deter speculation, at least for the time being. The franc finished in the middle of the European Monetary System, but the D-mark replaced the Danish krone at the bottom, after the collapse of Germany's coalition government. On the other hand the D-mark was very firm against the dollar and sterling on Friday.

Gold traded fairly steadily after the previous week's sharp movements. It fell $13 to $441-442.

THE DOLLAR SPOT AND FORWARD

Sept 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7060-1.7175	1.7125-1.7135	0.08-0.13c dis	-0.73	0.50-0.60dis	-1.28
Ireland†	1.3620-1.3720	1.3650-1.3670	0.45-0.35c pm	3.52	1.10-1.00 pm	3.08
Canada	1.2325-1.2345	1.2330-1.2335	0.20-0.23c dis	-2.09	0.43-0.47dis	-1.46
Nethlnd.	2.7260-2.7410	2.7330-2.7370	0.87-0.77c pm	3.59	2.82-2.72 pm	4.04
Belgium	47.90-48.20	48.04-48.06	2-4c dis	-0.75	6-9 dis	-0.62
Denmark	8.7900-8.8975	8.8850-8.8950	8¼-9¾ore dis	-12.58	15½-16½dis	-7.36
W. Ger.	2.4880-2.5090	2.4985-2.4995	0.85-0.80pf pm	3.96	2.76-2.71 pm	4.38
Portugal	87.00-87.50	87.20-87.50	95-230c dis	-22.32	200-600dis	-18.32
Spain	112.60-113.40	112.60-112.80	65-75c dis	-7.45	265-295 dis	-9.93
Italy	1,402-1,411½	1,407¼-1,408¼	8½-9½ lire dis	-7.67	29-30½ dis	-8.46
Norway	6.9225-6.9500	6.9225-6.9325	0.80-1.20ore dis	-1.73	4.00-4.40dis	-2.42
France	7.0400-7.0850	7.0675-7.0725	3.30-3.80c dis	-6.02	12¼-13¼dis	-7.21
Sweden	6.2150-6.2400	6.2150-6.2250	1.75-1.95ore dis	-3.56	4.85-5.05dis	-3.17
Japan	262.20-264.80	262.70-262.80	1.05-0.90y pm	4.45	3.15-3.00 pm	4.68
Austria	17.52½-17.59	17.52½-17.53½	5½-4½gro pm	3.41	17½-15 pm	3.70
Switz.	2.1210-2.1380	2.1320-2.1330	1.40-1.32c pm	7.65	4.28-4.18 pm	7.91

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 48.50-48.60.

THE POUND SPOT AND FORWARD

Sept 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7060-1.7175	1.7125-1.7135	0.08-0.13c dis	-0.73	0.50-0.60dis	-1.28
Canada	2.1060-2.1160	2.1120-2.1130	0.47-0.57c dis	-2.95	1.35-1.45dis	-2.65
Nethlnd.	4.66½-4.70½	4.69-4.70	1⅛-⅞c pm	2.87	3½-3 pm	2.77
Belgium	82.05-82.55	82.30-82.40	4-14c dis	-1.31	34-44 dis	-1.89
Denmark	15.04-15.18	15.05-15.07	16½-18½ore dis	-13.79	32½-42½dis	-9.91
Ireland	1.2505-1.2595	1.2540-1.2550	0.37-0.51p dis	-4.21	1.29-1.44dis	-4.35
W. Ger.	4.26-4.30	4.27¼-4.28¼	1⅛-⅞pf pm	3.15	3¾-3¼ pm	3.15
Portugal	149.00-150.00	149.25-149.75	165-405c dis	-22.88	385-1075dis	-19.53
Spain	192.75-194.00	193.15-193.35	100-135c dis	-7.30	435-530 dis	-9.99
Italy	2,404-2,415	2,411½-2,413½	15-18 lire dis	-8.21	54½-58½dis	-9.37
Norway	11.84-11.90	11.89-11.90	1⅞-3⅛ore dis	-2.52	10½-11½dis	-3.68
France	12.05-12.12	12.09½-12.11½	5¾-8¼c dis	-7.19	23½-27½dis	-8.43
Sweden	10.64-10.69	10.67½-10.68½	3½-4½ore dis	-4.21	11¾-12 dis	-4.33
Japan	448-453	450-451	1.40-1.20y pm	3.46	3.80-3.60 pm	3.28
Austria	29.95-30.20	30.07-30.12	8-5gro pm	2.59	20¾-16¼ pm	2.39
Switz.	3.63½-3.66½	3.65-3.66	2½-1⅞c pm	6.98	6½-5⅞ pm	6.70

Belgian rate is for convertible francs. Financial franc 85.35-85.45. Six-month forward dollar 1.52-1.62c dis, 12-month 3.50-3.65c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7130	1.7140	1.7185	1.7287	1.7487
D-Mark	4.2825	4.2812	4.2787	4.2266	4.1738
French Franc	12.1050	12.1775	12.3600	12.6050	—
Swiss Franc	3.6550	3.6339	3.5937	3.5485	3.4580
Japanese Yen	450.5	449.2	446.7	443.0	436.17

GOLD MARKETS

Gold Bullion (fine ounce)

	Sept. 17		Sept. 16	
Close	$441-442	(£257½-258)	$447-448	(£263-262½)
Opening	$445-446	(£259½-260)	$443¼-444¼	(£260¼-260¾)
Morning fixing	$445.50	(£260.831)	$447.35	(£263.040)
Afternoon fixing	$441.50	(£257.810)	$448.50	(£263.050)

Gold Coins Sept. 17

Krugrnd	$449-451	(£262¼-263¼)	King Sov	$104½-106	(£61-61¾)
½ Krug	$234¼-235½	(£136¾-137¼)	Victoria Sov	$104½-106	(£61-61¾)
¼ Krug	$119½-120½	(£69¾-70¼)	French 20s	$89¾-92	(£52½-53¾)
1/10 Krug	$48½-49⅜	(£28½-29)	50 pesos Mex	$525½-534	(£306¾-311¾)
Mapleleaf	$451-453	(£263¼-264½)	100 Cor. Aust	$426-431½	(£248¾-252)
New Sov	$104½-105½	(£61-61½)	$20 Eagles	$470-480	(£274½-280¼)
½ New Sov	$61½-63½	(36-37)			

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU September 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.2596	+0.64	+0.50	±1.5501
Danish Krone	8.23400	8.29869	+0.79	+0.65	±1.6430
German D-Mark	2.33379	2.35420	+0.87	+0.73	±1.0888
French Franc	6.61387	6.65259	+0.59	+0.45	±1.3940
Dutch Guilder	2.57971	2.57471	-0.19	-0.33	±1.5004
Irish Punt	0.691011	0.689868	-0.19	-0.33	±1.6691
Italian Lira	1350.27	1324.50	-1.91	-1.91	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

Sept. 17	£	$		£ Note Rates
Argentina Peso	46.624†	27.260†	Austria	24.95-30.25
Australia Dollar	1.7865-1.7885	1.0430-1.0435	Belgium	85.60-85.60
Brazil Cruzeiro	345.50-346.50	201.26-202.29	Denmark	15.12-15.27
Finland Markka	8.1995-8.2400	4.8000-4.8020	France	12.05-12.20
Greek Drachma	119.311-122.963	70.20-70.70	Germany	4.26-4.30
Hong Kong Dollar	10.408-10.428	6.08-6.09	Italy	2375-2415
Iran Rial	145.90*	85.25*	Japan	451-456
Kuwait Dinar KD	0.498-0.499	0.29115-0.29125	Netherlands	4.65½-4.70¾
Luxembourg Fr.	82.30-82.40	48.04-48.06	Norway	11.82-11.92
Malaysia Dollar	4.03-4.04	2.3540-2.3590	Portugal	146-165
New Zealand Dlr.	2.3570-2.3700	1.3800-1.3815	Spain	188½-200¼
Saudi Arab. Riyal	5.8925-5.8995	3.4390-3.4410	Sweden	10.62-10.72
Singapore Dollar	3.7060-3.7160	2.1650-2.1700	Switzerland	3.62½-3.66¼
Sth. African Rand	1.9725-1.9740	1.1515-1.1525	United States	1.70-1.72
U.A.E. Dirham	6.2900-6.2975	3.6710-3.6730	Yugoslavia	106-135

† Rate shown for Argentina is commercial. Financial rate 66.627-66.667 against sterling 38.950-39.000 against dollar. * Selling rate.

CURRENCY MOVEMENTS

Sept. 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.6	-31.9
U.S. dollar	122.1	+12.4
Canadian dollar	90.1	-17.7
Austrian schilling	117.5	+27.0
Belgian franc	94.5	-2.2
Danish kroner	80.9	-15.5
Deutsche mark	125.4	+50.2
Swiss franc	145.7	+96.3
Guilder	117.3	+25.1
French franc	72.8	-21.4
Lira	53.5	-58.5
Yen	129.9	+25.8

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 17	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.631562	0.549919
U.S. $	10	1.07896	0.940352
Canadian $	13.42	*	1.16041
Austria Sch.	6¾	18.9541	16.5516
Belgian F	12½	51.9411	45.2596
Danish Kr.	11	9.49485	8.29869
D mark	7	2.69902	2.35420
Guilder	7	2.95581	2.57471
French F.	9½	7.62825	6.65259
Lira	18	1519.72	1324.50
Yen	5½	283.227	247.785
Norwgn. Kr.	9	7.46690	6.53081
Spanish Pts.	8	121.803	106.167
Swedish Kr.	10	6.72624	5.86269
Swiss Fr.	5	2.30088	2.00626
Greek Dr'ch	20½	76.5198	66.8033

*C$/SDR rate for Sept 16; 1.32934

EXCHANGE CROSS RATES

Sept. 17	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.713	4.283	450.5	12.105	3.656	4.695	2413.	2.113	82.35
U.S. Dollar	0.584	1.	2.500	263.0	7.067	2.134	2.741	1408.	1.233	48.07
Deutschemark	0.234	0.400	1.	105.2	2.827	0.852	1.096	563.3	0.493	19.23
Japanese Yen 1,000	2.220	3.802	9.506	1000.	26.87	8.115	10.42	5356.	4.699	182.8
French Franc 10	0.826	1.415	3.538	372.2	10.	3.019	3.879	1993.	1.745	68.05
Swiss Franc	0.274	0.469	1.172	123.3	3.312	1.	1.285	660.1	0.578	22.53
Dutch Guilder	0.213	0.365	0.912	95.95	2.578	0.778	1.	513.8	0.450	17.54
Italian Lira 1,000	0.415	0.710	1.775	186.7	5.018	1.515	1.946	1000.	0.876	34.13
Canadian Dollar	0.473	0.811	2.027	213.3	5.730	1.730	2.222	1142.	1.	38.98
Belgian Franc 100	1.214	2.080	5.200	547.1	14.70	4.438	5.701	2930.	2.565	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

هكذا من الأصل

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd. (z)
1-3 St. Paul's Churchyard, EC4P 4DX. 01-248 9111

Property Fund	228.4	240.5		—
Equity Fund	54.3	57.2	−1.0	—
Property Acc.	267.5	281.6		—
Equity Acc.	53.9	56.8	−0.8	—
Selective Fund	156.0	164.3	−1.4	—
Money Fund	169.8	178.8		—
Convertible Fund	182.2	191.8		—
Prop. Fd. Ser. 4	210.7	221.8		—
Equity Ser. 4	60.3	63.5	−0.8	—
Man. Ser. 4	212.3	223.5	−1.5	—
Money Ser. 4	153.9	162.1		—
Conv. Ser. 4	154.0	162.2		—
Fixed Int. Fd. Ser. 4	132.3	139.3		—
American Ser. 4	124.8	131.4	−1.5	—
High Inc. Ser. 4	119.6	125.9	−1.1	—
Indexed Inv. Series 4	99.5	104.8		—
Pension Property	320.4	337.3		—
Pension Equity	311.4	327.8	−4.1	—
Pension Selective	158.0	166.4	−1.5	—
Pension Managed	316.3	333.0	−2.0	—
Pension Security	228.7	240.8		—
Pension Fixed Int.	128.3	135.1		—
Pension Indexed Inv.	100.2	105.5		—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	332.2	349.8	−0.4	—
Fixed Int. Acc.	213.9	225.2	−1.5	—
Gtd. Money Fd. Ac.	159.0	167.3		—
Intl. Man. Fd. Acm.	148.6	156.3	+1.0	—
Intl. Fxd. Int. Fd.	115.9	122.0	+0.2	—
Prop. Fd. Acc.	160.3	168.7		—
M'ple Inv. Acc.	263.5	277.3		—
Equity Pen. Fd. Acc.	460.2	484.4	−0.7	—
Fixed I. Pen. Acc.	357.2	375.9	−3.7	—
G'td. Mon. Pen. Acc.	222.7	234.4		—
Intl. Mn. PnFdAcc.	173.4	182.4	+1.4	—
Prop. Pen. Acc.	212.6	223.8		—
M'ple Inv. Pen. Acc.	388.2	408.5		—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	206.4	217.5		—
Money Fd.	146.3	154.0		—
Equity Fd.	161.0	169.7		—
Fixed Int. Fd.	106.2	111.8		—
Property Fd.	156.5	164.9		—
Managed Pen. Fd.	190.7	201.0		—
Equity Pension Fd.	108.2	114.0		—
Fixed Int. Pens. Fd.	139.6	147.1		—
High Yield Pens. Fd.	138.5	145.9		—
Money Pension Fd.	115.7	121.8		—
Property Pension Fd.	114.2	120.3		—
AMEV/Framlington				
American & Gen. Fd.	159.3	167.9	+1.8	—
Income Fd.	141.5	149.1	−0.5	—
Intl. Growth Fd.	164.5	173.3	+1.6	—
Capital Fund	147.0	154.9	−0.3	—
Recovery Fund	99.2	104.5		—

Barclays Life Assur. Co. Ltd.
252 Romford Rd., E7. 01-534 5544

Barclaybonds	181.8	191.4	−0.7	—
Equity	177.4	186.8	−1.8	—
Gilt-edged	148.8	156.7	−0.2	—
International	110.3	116.2	−0.4	—
Managed	156.4	164.7	−0.6	—
Money	137.2	144.5	+0.1	—
Property	179.1	188.6	+0.1	—
Man. Pens. Accum.	191.8	201.9		—
Do. Initial	163.9	172.5		—
Gilt Edg. Pens. Acc.	183.8	193.5		—
Do. Initial	152.3	160.4		—
Money Pens. Acc.	167.7	176.6		—
Do. Initial	140.1	147.5		—

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd.		200.40		—
Managed Inv. Fd.	138.72	146.02		—
Property Fd.	138.01	145.28		—
Fixed Interest Fd.	132.09	139.05		—
Cash Fd.	128.22	134.97		—
Income Fd.	125.37	131.97		—
Extra Income Fd.	123.22	129.71		—
Worldwide Growth Fd.	152.05	160.06		—
Balanced Fd.	138.84	146.15		—
Smlr Co's & Recy. Fd.	129.69	136.52		—
Int. Technology Fd.	157.23	165.51		—
Nth. Amer. & Gen. Fd.	107.18	112.83		—
Energy Int. Fd.	77.77	81.87		—
Pacific Basin Fund	93.23	98.14		—

Canada Life Assurance Co.
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth. Sept 2		77.7		—
Rtmt. Fed. Sept 7		176.00		—

Canada Life Assurance Co of G. Britain
2-6 High St, Potters Bar, Herts. P. Bar 51122

Managed Pen Fund	1.454	1.531		—
Property Pen Fund	1.098	1.156		—
Index Lnkd Pen Fund	1.064	1.120		—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ SA1	208	5.7	Q23c	3.3	7.7	4.0
Feb.	Aug.	Alexanders D. £1.	255	28	18.5	—	10.4	—
May	Aug.	Algemene Fl.100	£48	17.3	vQ26%	1.8	11.2	4.9
Dec.	June	Allied Irish	92	7.6	045.3%	4.0	10.1	3.2
July		Ansbacher (H.) 5p.	11½	5.7	0.35	—	4.3	—
July	Jan.	Bk. Ireland £1	260	17.5	Q29.4%	—	9.5	—
May	Nov.	Bk. Leumi $0.1	2½	2.8	hQ3%	—	0.7	—

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov.	June	Jardine M. SHK5	160	25.4	Q72c	2.3	5.5	7.9
July	Jan.	Jenks & Cattell	20	23.12	2.0	—	7.1	—
Oct.	Apr.	Johnson Clnrs.	254xd	6.9	7.7	2.3	4.3	14.1
Feb.	Aug.	Johnson Mthy. £1	250	21.6	10.0	2.2	5.7	(9.2)
Jan.	July	Johnston Grp. 10p	176	17.5	4.0	6.2	3.2	7.0
Oct.	June	Jourdan (T.) 10p	72	2.8	5.25	0.6	10.4	(25.2)
May	Dec.	Kalamazoo 10p	39	19.4	2.5	0.9	9.2	18.1
Feb.	July	Kelsey Inds.	138	7.6	8.0	2.1	8.3	7.9
Oct.	April	Kennedy Sm. 10p	163xd	6.9	5.5	◆	4.8	◆
Nov.	April	Kershaw (A.) 5p	170	1.3	21.75	0.5	18.9	(26.9)
Jan.	Aug.	Kleen-E-Ze Hldgs.	41	16.8	3.0	◆	10.5	◆
Jan.	Aug.	L.C.P. Hlds.	46	21.6	3.6	0.5	11.2	(42.7)
Oct.	April	L.R.C. Int. 10p	74	16.8	2.75	2.0	5.3	12.5
Dec.	May	Lantex	30	23.11	1.5	—	‡	—
		For Lead Inds see Cookson						
Mar.	Oct.	Lep Group 10p	435	16.8	17.5	1.7	5.7	(12.7)
Oct.	July	Lilleshall 10p	25	30.4	2.5	—	‡	—
July	Oct.	Lon. & Liv. 10p	56xd	6.9	2.45	2.4	6.2	8.2
Jan.	Sept.	London & Mid'd	92	16.8	7.75	0.9	12.0	(13.5)
Jul.	Dec.	Lon. & Nthn. Grp.	51	7.6	3.75	2.1	10.5	5.4
—		♦Lon. Prh. Health	35	—	—	—	—	◆
Jan.	June	Long Hmbly. 10p	9	1299	—	—	—	—
Apr.	Oct.	Longton Inds.	42xd	6.9	1.0	—	3.4	—
Aug.	Apr.	Lonsdale Univsl.	65	15.2	1.0	0.9	2.2	(71.3)
Dec.	June	Low & Bonar 50p	62	15.3	7.0	0.6	16.7	(28.3)
June	Dec.	M.Y. Dart. 10p	26½	23.11	1.21	—	6.5	—
May	Sept.	M'c'rthy Ph. 20p	230	16.8	7.0	2.0	4.3	10.7
Oct.	May	Macfarlane Gp.	118xd	6.9	4.0	2.5	4.8	10.7
July	Nov.	Maclellan 20p	41	17.5	1.43	1.4	5.0	(18.8)
Aug.	Mar.	Macpherson (D.)	54	19.7	4.2	1.5	11.1	7.9
Oct.	Apr.	Magnolia Group	55	19.4	2.3	3.9	6.0	5.5

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov.	May	Falcon Rh.50c	190	1.5	Q25c	10.3	6.6
Nov.	May	Wankie Col. Z$1	20	19.4	Q3c	1.2	8.1
—		Zam.Cpr.SBD0.24	15	980	—	—	—

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	42	—
Bertrams	17	—
Bdg'wtr. Est. 50p	465	—
Craig & Rose £1	£12½	—
Finlay Pkg. 5p	30	—
Graig Ship. £1	£22	+1
Higsons Brew	87	−3
Holt (Jos) 25p	780	−30
I.O.M. Stm. £1	80	—
Pearce (C. H.)	£11½	−½
Peel Hldgs.	157	—
Sheff. Refrshmt.	125	−5
Sindall (Wm.)	205	—

IRISH

Exch. 15pc 1983	£100	—
Nat. 9¾% 84/89	£79¾	+¼
Fin. 13% 97/02	£84½	+⅛
Alliance Gas	103	—
Arnott	220	—
Carroll (P.J.)	76	—
Concrete Prods.	60xd	—
Heiton (Hldgs.)	16	−1
Ins. Corpn. Ireland	410	—
Irish Ropes	53	—
Jacob	68	—
T.M.G.	6	+½
Unidare	48	—

OPTIONS

3-month Call Rates

Industrials

Allied-Lyons	8	House of Fraser	15	Utd. Drapery	7
BOC Intl.	15	I.C.I.	24	Vickers	16
B.S.R.	8½	"Imps"	8	Woolworths	5

[illegible]

Burton Ord.	15	Midland Bank	30	Oils	
Cadburys	9	N.E.I.	9		
Courtaulds	8	Nat. West. Bank	38	Brit. Petroleum	26
Debenhams	7	P & O Dfd.	14	Burmah Oil	10
Distillers	15	Plessey	52	Charterhall	6
Dunlop	3½	Racal Elect.	35	KCA	14
Eagle Star	31	R.H.M.	6½	Premier	6
F.N.F.C.	4	Rank Org. Ord.	20	Shell	30
Gen. Accident	28	Reed Intnl.	26	Tricentrol	22
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	[illegible]	T.I.	13		
Grand Met.	17	Tesco	5½	Mines	
G.U.S. "A"	45	Thorn EMI	42	Charter Cons.	25
Guardian	25	Trust Houses	11	Cons. Gold	45
G.K.N.	15	Turner & Newall	[illegible]	Lonrho	7
Hawker Sidd.	30	Unilever	55	Rio T. Zinc	42

"Recent Issues" and "Rights" Page 20

FINANCIAL TIMES
Monday September 20 1982

GLC to introduce 'equal rights' clause in contracts

BY JOHN LLOYD, LABOUR EDITOR

THE Greater London Council is to set up machinery for monitoring and enforcing equal employment opportunities among its 10,000-plus suppliers.

The plan, which has been closely vetted and cleared by the GLC's legal advisers, is thought by the ruling Labour group to be the first attempt by a major UK authority to use its economic leverage in granting contracts to push through racial and sexual equality in its suppliers' workforces.

Mr John Carr, chairman of the GLC's staff committee, said yesterday: "If, in our view, a supplier does not have or does not take steps to obtain a balanced workforce, then we will withdraw our contracts."

Details of the scheme have yet to be worked out but it is certain to include the addition of a clause in contracts between the council and its suppliers stipulating that companies must ensure their workers are "balanced" according to sex and race.

Companies will be obliged to produce data for the GLC on their employment mix which will then be compared with the "council's ideal" balance.

While criteria for such standards are notoriously controversial, Mr Carr and his colleagues believe guidelines fair to all can be drawn up. They will be based on the ethnic mix of the travel-to-work area in which the supplier is based, the potential for women workers to take traditionally male jobs, and other factors.

Companies will be asked to use sections of the Sex Discrimination Act and the Race Relations Act which allow them to advertise vacancies exclusively in the ethnic press, to develop special training programes for women and for employees from the ethnic minorities, and to stop "word of mouth" recruitment, which perpetuates the existing sexual and racial mix of the workforce.

Both the Equal Opportunities Commission and the Commission for Racial Equality are about to publish codes of practice which the suppliers will be encouraged to adopt.

A number of large companies will be liable to monitoring and sanctions under the scheme, including IBM, Ford, BL and GEC. Mr Carr said that a contracts compliance unit would be set up in County Hall, initially employing some three or four officials but capable of growing as the work increased.

The inspiration for the scheme has come from the U.S. administration's practice of enforcing compliance with an equal opportunities code among companies receiving federal contracts, through the Office of Federal Contract Compliance.

Mr Carr said: "A number of authorities have had clauses on equal rights, but none have ever tried to enforce them.

"We do not expect companies to change overnight. I think we would give them a year at least. But we would expect them to change if we thought they should."

SDP seeks race rights at work, Page 5

GLC industry chief criticises zones, Page 7

Government to press for pay deal with nurses

By John Lloyd

THE Government will continue talks with the Royal College of Nursing this week in the hope that it can conclude a separate deal with the college and break its united front with the health unions affiliated to the TUC.

The Government is likely to concentrate on the question of increases during the second year of the two-year pay deals which were the basis of its revised offer to all the health unions last week.

The college is understood to prefer to negotiate on the second of the two pay deals proposed, which would put back the settlement date for the existing offer of 7.5 and 6 per cent from April to June and add a further 4 per cent from next January. The Government may be able to offer an increase in the 4 per cent figure.

The college is also unhappy about the delaying effect a two-year deal would have on the implementation of a new pay structure, which could not come into place before April 1984. Here, too, the Government might prove flexible — possibly offering a new structure from next year which would overlay the second year of a two-year deal.

The TUC-affiliated unions are concerned that the college might be persuaded to accept a revised offer and so take away one of their best propaganda weapons.

Mr Rodney Bickerstaffe, the general secretary of the National Union of Public Employees, said last night that the revised offer gave the college less than its members had turned down in a ballot, and thus could not be acceptable to college negotiators.

Mr Bickerstaffe also warned that he would call on the TUC for increased support from other unions if the Day of Action on Wednesday did not produce a change of heart by the Government.

Mr Frank Chapple, the TUC chairman and general secretary of the Electrical and Plumbing Trades Union, added his voice to calls for support for Wednesday's demonstration and stoppages.

Mr Chapple, who has often opposed strikes in the past, said yesterday: "The health workers have a justified case. They deserve, and I am sure will get, the support not only of the whole trade union movement but of everyone who is concerned about the future of the health service."

Support has also come from Mr Roy Hattersley, the shadow home secretary and a leading member of Labour's shadow cabinet.

Mr. Hattersley said in his Birmingham Sparkbrook constituency that the Day of Action "deserved the wholehearted support of the British people."

Editorial comment, Page 18

Coal stocks at record level

COAL STOCKS are at a record level with 24m tonnes at pits and nearly the same tonnage with customers, mainly power-stations. Further stowage space will be provided with completion of the country's biggest coal depot in Yorkshire, which covers the area of three soccer pitches. The eight-storey coal depot is being completed at Gascoigne Woodsite, in the Selby coalfield with a capacity of more than 40,000 tonnes.

Mining machines warn of faults

THE NATIONAL Coal Board said yesterday that machines can now warn when they need repairing. Two road headers and a face conveyor at Ireland Colliery, Derbyshire, have been fitted with transducers to help the machines tell a specially programmed micro computer when they are going to need attention.

The system, developed by the mining research and development establishment at Bretby Derbyshire, is on trial at seven collieries in Derbyshire, Nottinghamshire, western Leicestershire and the Northeast.

MIDLAND CALLS FOR LOAN GUARANTEES SCHEME

Warning on companies' debts

BY CHRIS CAMERON JONES

GOVERNMENT guarantees of loans may be the only way to prevent a number of the country's major companies from being overwhelmed by debt, the Midland Bank has warned.

The bank has 70 medium to large companies under intensive care, with debts totalling in the region of £350m. For 11 of these, affecting around 35,000 jobs, there appears to be no prospect of improvement the bank says.

Though the Midlands has made no direct representation to the Government it has made its feelings known to ministers through regular talks with the Bank of England.

It believes that something similar to the small business scheme, under which the Government guarantees 80 per cent of loans, should be considered as a way to avoid a worsening of the situation.

Last month, the bank said it was doubtful whether a significant recovery in the economy could be achieved without the Government taking a lead in reflationary action.

A spokesman for the bank said yesterday it had reached the limit of what it could do for many of its troubled customers. The bank has already rearranged and restructured loans and deferred payments on capital, requiring only interest to be paid.

While the recent downward trend in interest rates would help, it would not remove the problems these companies face. Nor did placing companies in receivership seem a satisfactory solution, as the number of buyers for businesses were small.

When Midland recently announced its first half results for this year it showed a 9 per cent pre tax decline to £95m, after provisions for bad and doubtful debts worldwide up at £75.3m, compared with £38.3m for the comparative half year.

Barclays, which says it has some 600 companies of various sizes in intensive care, made provisions at halftime of £115.4m against £59.7m a year earlier for bad and doubtful debts at home and abroad.

At Lloyds the provisions jumped from £24.3m to £62.1m and at National Westminster, from £45m to £78m.

Economy poised to resume recovery, Page 5

Alliance leaders near seats deal

BY PETER RIDDELL, POLITICAL EDITOR

LIBERAL PARTY and Social Democratic Party leaders of the Alliance last night appeared to be nearing agreement on the allocation of parliamentary seats between the two parties at the next general election.

A compromise looks likely, whereby the SDP would give up about a half-dozen constituencies originally allocated to it but which local Liberals refuse to surrender.

The Liberal National Executive Committee was meeting last night in Bournemouth, ahead of its annual Assembly this week, to consider a possible solution. It was unclear whether a deal would be agreed in time for the discussion of the issue tomorrow morning.

Leaders of both parties are keen to reach an early agreement to ensure that arguments on the seats do not dominate the Assembly and weaken the attempt to re-launch the Alliance at a time its opinion poll standing is low.

In an interview on the BBC's World This Weekend programme, Mr David Steel, the Liberal leader, appealed to the SDP to show magnanimity in handing over some seats in the handful of key areas where Liberals had a grievance.

Both parties have been reluctant to set any deadline and, if agreement cannot be reached this week, the talks will continue without any suggestion of a collapse.

SDP leaders are inclined to make some concessions, while being critical of the inability of the Liberal leadership to bring local parties into line.

The SDP has been worried by private survey evidence. This showed that voters regard the Tories as by far the most united party, with the Alliance seen as being almost as disunited as Labour.

The dispute over seats is confined to about two dozen out of more than 600 allocated between the parties. The bargaining about changes in this distribution is focused on between five and 10 seats. Among those affected are Keighley, South Worcestershire, Hastings and Finchley.

A senior Liberal commented at the weekend that whatever happened on a seats deal, some local activists were likely to be in an irritable mood because of the strains in the Alliance. After some complaints early in the week, however, no major splits are expected.

A Mori poll for tonight's Panorama programme shows Liberals are more reluctant than SDP supporters to say they would support a candidate of the other party.

The poll, undertaken early last week, shows Alliance support falling to 14 per cent, with the Conservatives at 47 per cent and Labour at 37 per cent.

Mr Steel is also clearly preferred to Mr Jenkins as a possible prime minister, by a margin of 2 to 1.

Continued from Page 1

State enterprise plans

London Transport and metropolitan authorities, setting out guidelines on the extent to which the central Government subsidy can be topped up by local rates.

● A Data Protection Bill, intended to safeguard individuals' rights over medical, commercial and other information held in computer and other records.

● A Police Bill, including proposals for prosecution arrangements, for changes in police powers and criminal procedure in handling suspects, for new stop-and-search powers on stolen goods and offensive weapons and for changes in police complaints procedures.

● Action to widen the present scope for disqualification of jurors.

Other measures likely in the next session but not yet definite proposals include:

● New safety regulations on gas installations. This ties in with proposals in the recent Oil and Gas Enterprise Act to permit the sale of British Gas showrooms and private competition.

● An extension of existing legislation allowing council tenants the right to buy their homes.

● Changes in the law affecting merchant shipping.

● A Social Security Bill to tidy up existing regulation and action to establish independent Family Practitioner Committees.

Proposals are also being considered for the reform of the Wireless and Telegraph Acts to cover the buying and selling of illicit equipment, enforcement against the use of Citizen's Band radio on the wrong frequencies and the placing of telegraph poles. It is not yet clear whether this will be in will be a separate Bill the Telecommunications Bill or

Apart from bills, there will also be statutory instruments and orders amending planning regulations requiring local councils to maintain Civil Defence operations and training, plus new immigration regulations following the Nationality Act.

In addition, there will be the usual annual legislation such as the Finance Bill, laws authorising public spending and the level of social security contributions and payments, as well as Scottish and Northern Irish legislation.

Continued from Page 1

Bid to end wrangle over EEC budget

financial burden on Paris and Rome.

The complexities of EEC budget rules also mean that Britain could in effect end up contributing about 65m ecu towards its own rebate.

Mr Pym is refusing to allow this to happen. He could find himself in an argument today with French ministers, who have suggested that this difficulty should be discussed in the coming negotiations on the longer-term deal for Britain's budget payments.

Refunding the UK, refunding West Germany and letting off the poorer countries (Ireland and Greece) from their full payments means that the total cost of the May deal has risen to 1.457m ecu. This could, however, be financed out of a 500m ecu surplus from the 1981 budget and an expected surplus this year of 1.5bn ecu.

If there is no agreement today, then the already gloomy outlook for the next round of budget negotiations will be further darkened.

Mr Pym's efforts to improve the UK's image in the Community are partly an attempt to strengthen Britain's bargaining position. The May rebate agreement gave significantly less than the British Government wanted.

Now, it seems, other Community countries will refuse to hand back larger sums of money in any future arrangement. Nor will they want to concede the three- or four-year agreement which London wants.

The British, however, believe they can secure a two-year deal. Their strategy emerged last week in a speech Mr Pym delivered in Copenhagen.

He signalled then a readiness to take part in a review of the Community's finances which will examine, among other things, possible ways of increasing the amount of "own resources" — funds stemming from value added tax, Customs duties, and import levies on farm produce—which member states transfer to Brussels.

British officials believe this review could serve to justify another short-term budget deal.

Britain's price for agreeing to more "own resources" will be some assurance of a permanent change in its budget position so that its net transfers to Brussels are reduced to a negligible amount.

In the short-term, however, British efforts will focus on the next budget rebate negotiations which are scheduled to end in November.

There is, however, little faith here that the deadline will be met and every confidence that the issue will figure prominently at the EEC summit in Copenhagen in early December.

Continued from Page 1

Lebanon

pressed strong reservations about President Reagan's decision to send U.S. marines to Lebanon to facilitate the PLO's withdrawal.

After his talk with Mr Shultz he said that the "next step," which the U.S. would "certainly support," could be the redeployment of United Nations forces to replace Israeli units in and around Beirut.

He added, however, that a "reconstitution" of the multinational force which was withdrawn from Beirut after the PLO's evacuation was "not ruled out."

The State Department said the Italian Government had approached the U.S. with proposals for a new multinational peacekeeping force and that the idea was being examined.

The State Department also said that a partial Israeli withdrawal from Beirut, which appeared to be underway, would not be "good enough" and that the U.S. still demanded the total removal of all Israeli forces.

Numerous politicians and commentators in the U.S. echoed the "outrage and revulsion" at the massacre expressed by President Reagan. There is almost universal agreement that relations between the U.S. and Israel are now at their lowest ebb ever.

Mr Howard Baker said that U.S. had never faced "a more difficult diplomatic situation" than it does at present in maintaining its traditional alliance with Israel.

Weather

UK TODAY

CLOUDY, outbreaks of rain at first, brighter later.

SE England, E Anglia, Central Southern England, Midlands, E England, SW England, S Wales
Rain, clearing later. Max. 17C (63F).

N Wales, NW, NE, Central N England, Borders, SW Scotland, Edinburgh, Dundee, Aberdeen and Argyll, N. Ireland
Outbreaks of rain, becoming brighter with scattered showers. Max. 16C (61F).

Rest of Scotland
Outbreaks of rain, clearing. Strong winds, gales in places. Max. 14C (57F).

WORLDWIDE

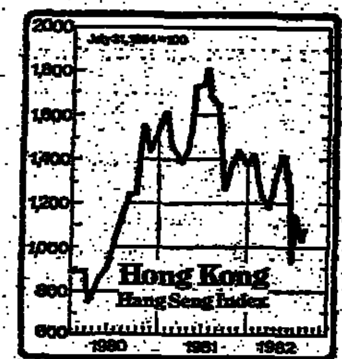
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	26	79	L. Ang.†	F	19	66
Algiers	F	29	84	Luxmbg.	S	24	75
Amsdm.	S	24	75	Luxor	S	39	102
Athens	S	30	86	Madrid	F	24	75
Bahrain	S	36	97	Majorca	F	28	82
Barclna.	F	28	82	Malaga	F	25	77
Beirut		—	—	Malta	S	29	84
Belfast	C	12	54	M'chstr	C	16	61
Belgrd.	S	28	82	Melbne.		—	—
Berlin	S	26	79	Mx. C.†		—	—
Biarritz	F	28	82	Miami†	S	26	79
Bmghm.	C	17	63	Milan	S	25	77
Blackpl.	C	15	59	Montrl.†	C	9	48
Bordx.	F	25	77	Moscow	S	19	66
Boulgn.	S	22	72	Munich	S	25	77
Bristol	C	19	66	Nairobi	C	24	75
Brussels	S	26	79	Naples	S	27	81
Budpst.	F	26	79	Nassau		—	—
Cairo	S	35	95	Nwcstl.	R	13	55
Cardiff	C	18	64	N. York†		—	—
Cas'b'ca	F	26	79	Nice	S	24	75
Cape T.	F	19	66	Nicosia		—	—
Chicg.†	S	7	45	Oporto	R	23	73
Cologne	S	24	75	Oslo	C	17	63
Cpnhgn.	S	20	68	Paris	F	26	79
Corfu	S	30	86	Perth	S	21	70
Denver†	C	11	52	Prague	S	26	79
Dublin	C	12	54	Reykjvk.	R	2	36
Dbrvnk.	S	26	79	Rhodes	S	26	79
Ednbgh.	R	11	52	Rio J'o†		—	—
Faro	F	24	75	Rome	S	27	81
Florence	S	27	81	Salzbrg.	S	25	77
Frankft.	S	23	73	S'cisco†	F	14	57
Funchal	F	24	75	S. Mritz.		—	—
Geneva	S	22	72	Singapr.		—	—
Gibrltr.	S	25	77	S'tiago†		—	—
Glasg'w	F	14	57	Stckhm.	S	18	64
G'nsey	R	17	63	Strasbg.	S	26	79
Helsinki	R	13	55	Sydney		—	—
H. Kong	S	32	90	Tangier	F	25	77
Innsbrk.	S	24	75	Tel Aviv	S	28	82
Invrnss.	C	11	52	Tenerife	F	27	81
I. o Man		—	—	Tokyo	C	20	68
Istanbul	F	26	79	T'nto†	S	5	41
Jersey	C	18	64	Tunis	S	31	88
Jo'burg	S	16	61	Valencia	F	25	77
L. Pims.	S	26	79	Venice	S	24	75
Lisbon	C	21	70	Vienna	S	24	75
Locarno	S	23	73	Warsaw	S	24	75
London	R	17	63	Zurich	S	22	72

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Clearance sales in Hong Kong

Mrs Thatcher's visit to China, to discuss the crunch of 1997, has provided London stockbrokers with a golden opportunity to present their views of the Hong Kong property market. Hoare Govett produced a weighty tome on the subject last week, and Vickers da Costa is poised to rush its own study off the presses.



The Hong Kong stock market, of which the property sector represents about 40 per cent by market capitalisation, has been the world's most abysmal performer for a year, leaving aside exotica like Mexico. The Hang Seng Index, which touched a peak of 1,810 in July last year, is trading now at about 1,090.

Over the same period, according to Hoare Govett, property selling prices have fallen by 30 per cent or more in the colony while the collapse in land values has extended to 80 per cent in some instances. The book net worth of property companies has consequently been stranded well above realisable values and the stock market has marked down discounts from an average of about a fifth to a present level of a half.

The bulls will argue now that equity prices have fallen far enough to attract support on income grounds. Hongkong Land, the most defensive stock in the sector, trades on a prospective yield only one percentage point below the return on three month deposits in the Hong Kong dollar inter-bank market.

This argument presupposes that property demand will return in sufficient strength to allow an improvement in aggregate dividend payments. Last year's rise in interest rates, coupled with the fall in rental income, drove property companies to issue paper and float off new investment vehicles at an unprecedented rate. Consequently, in the current year, the sector will need to service preference stock and equity of HK$5bn raised during 1981.

Few property companies pay dividends covered by net rental income, while the development profits which funded rising pay-outs in the late 1970s have largely evaporated. Moreover, the published balance sheets of property companies do not always indicate the urgency of retaining funds, since the increasingly common joint-venture developments can be funded off-balance sheet through unconsolidated consortia.

There is, however, some evidence that a measured recovery in demand lies around the corner. The Hong Kong Government, which acted last year to deflate the property balloon by stepping up its land sale programme, has eased off now. And while the colony's projected growth rate for 1982 has been pared back from 8 per cent to around 4 per cent, this still leaves some room for incremental demand.

The boom of the late 1970's had the effect of driving down average office space per employee by roughly 15 per cent and of choking the trend towards home ownership. Particularly at the lower end of the residential market, property prices are once again becoming realistic while rents on prime industrial and office space are proving fairly resilient.

Hoare Govett argues, in its interesting study, that the market has not yet recognised the potential for a further subsidence in property and land values but that the present discount to asset value may be excessive in the case of a few defensive stocks, enjoying a high level of rental income or strong balance-sheets. The speculation surrounding Hong Kong's future is likely to encourage market volatility, as the recent land sale to Bank of China demonstrated. But no one in Hong Kong needs to be taught the meaning of equity risk.

Keeping faith

The City prides itself on being a flexible place, always ready to adopt new working practices. But the port always goes round the table in the same direction, and some other things that do not change. It is not done, for example, to cut your dividend soon after a rights issue; you should pay up and Keep Faith.

The share price behaviour of quite a few famous names suggests that investors are not sure if present-day managements know the rules. Gilt-edged yields are down to 12 per cent, but there are Vickers shares yielding 13 per cent, John Brown — something of a special case — offering 19 per cent, while Davy, once the market's darling, has slumped from the January rights price of 140p to less than £1. All of these companies have had rights issues in the last year: in John Brown's case, two in the last four years.

They are also all suffering from a deterioration in markets since they offered new shares, particularly the American market. U.S. process plant orders are hard to get for both Davy and Brown. Brown's U.S. manufacturing order book has collapsed and Vickers must be wrestling with sharply-lower transatlantic sales of Rolls-Royce cars — which threatens to knock the profits of its biggest division.

It must still be more or less certain that Vickers will hold its dividend this year, although it is highly unlikely to be anywhere near covered by current-cost earnings. The company's finance director is on the record as viewing CCA profit and loss accounts as a useful guide to a company's distributable earnings, but Vickers' dividend has been uncovered on this basis for as long as it has been producing current cost data. In the end inadequate CCA returns tend to be reflected unmistakably in shortage of cash flow; even boards which are tight on academic accountants realise they cannot hold the payout.

To take only major companies, Metal Box, UDS and now IMI have recently cut their dividends within faith-keeping distance of rights issues. Although in the case of the first two, no current cost information was available at the time of the issues, none of the three has since produced current cost earnings remotely sufficient to cover the abandoned level of dividend. IMI's failure to Keep Faith is particularly unfortunate since its new chairman is also the head of the merchant bank which arranged the offering of new shares.

Since nothing is sacred any more, investors should look after their own interests by refusing to subscribe to—or underwrite—issues from companies likely to have any trouble in servicing the new equity. Perhaps that is one reason why there are so few rights issues at the moment.

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